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ABSTRACT

This special issue focuses on the Temporary Assistance for Needy Families (TANF) program. The collection of articles includes: "Introduction: Reauthorizing TANF"; "The New Face of Welfare: From Income Transfers to Social Assistance?" (Thomas Corbett); "Welfare Then Welfare Now: Expenditures in Some Midwestern States" (members of the WELPAN Network); "Redefining a Case in the Postreform Era: Reconciling Caseload with Workload" (Rebecca Swartz); "Welfare Reform and Recession: Can the States Handle Both?" (Howard Chernick and Andrew Reschovsky); "Social Policy and the Macroeconomy: What Drives Welfare Caseloads?" (James P. Ziliak); "'Whatever We Have Been Doing': Policy Control over TANF" (Thomas Kaplan); "Welfare Reform: The Institutional Dimension" (Lawrence M. Mead); "Reauthorization and the Data Infrastructure: Can We Do Better This Time Around?" (Robert Moffitt and Michele Ver Ploeg); "Welfare Reform, Employment, and Advancement" (V. Joseph Hotz, Charles H. Mullin, and John Karl Scholz); "Promoting Self-Sufficiency: What We Know about Sustaining Employment and Increasing Income among Welfare Recipients and the Working Poor" (Melissa Wavelet and Jacquie Anderson); "The Role of Temporary Employment Agencies in Welfare to Work: Part of the Problem or Part of the Solution?" (David H. Autor and Susan N. Houseman); "Employers and Welfare Recipients: What Their Interactions Imply for Public Policy" (Harry J. Holzer); "Barriers to Employment and the 'Hard to Serve' Implications for Services, Sanctions, and Time Limits" (Sandra K. Danziger and Kristin S. Seefeldt); "Welfare Reform and the Vulnerability of Mothers with Intellectual Disabilities (Mild Mental Retardation)" (Sharon Landesman Ramey and Bette Keltner); "Responding to Changing Family Organization" (Maria Cancian and Daniel R. Meyer); "Unwed Parents: Myths, Realities, and Policymaking" (Irwin Garfinkel and Sara McLanahan); "Assessing the Influence of Welfare Reform on Child Welfare Systems" (Kristen Shook Slack); "Child Care for Low-Income Working Families" (Barbara Wolfe and Deborah Lowe Vandell); "Early Childhood Interventions: Knowledge, Practice, and Policy" (Arthur J. Reynolds); "Strengthening Families: An Agenda for TANF Reauthorization" (Shawn Fremstad and Wendell Primus); "Refreshing Reform: Ideas from British Welfare Strategy" (Robert Walker and Michael Wiseman); "Immigrants and Welfare Reauthorization" (Shawn Fremstad); and "Funding

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Issues in TANF Reauthorization" (Zoe Neuberger, Sharon Parrott, and Wendell Primus). (SM)

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Reauthorizing TANF

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Focus

Volume 22

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Reauthorizing TANF

Introduction: Reauthorizing TANF 1

Devolution

The new face of welfare: From income transfers to social assistance? 3
Thomas Corbett

Welfare then, welfare now: Expenditures in some midwestern states 11
Members of the WELPAN network

Redefining a case in the postreform era: Reconciling caseload with workload 16
Rebecca Swartz

Welfare reform and recession: Can the states handle both? 22
Howard Chernick and Andrew Reschovsky

Social policy and the macroeconomy: What drives welfare caseloads? 29
James P. Ziliak

Implementation

"Whatever we have been doing": Policy control over TANF 35
Thomas Kaplan

Welfare reform: The institutional dimension 39
Lawrence M. Mead

Reauthorization and the data infrastructure: Can we do better this time around? 46
Robert Moffitt and Michele Ver Ploeg

Work, earnings, and vulnerable populations

Welfare reform, employment, and advancement 51
V. Joseph Hotz, Charles H. Mullin, and John Karl Scholz

Promoting self-sufficiency: What we know about sustaining employment and increasing income among welfare recipients and the working poor 56
Melissa Wavelet and Jacquie Anderson

The role of temporary employment agencies in welfare to work: Part of the problem or part of the solution? 63
David H. Autor and Susan N. Houseman

Employers and welfare recipients: What their interactions imply for public policy 71
Harry J. Holzer

Barriers to employment and the "hard to serve": Implications for services, sanctions, and time limits 76
Sandra K. Danziger and Kristin S. Seefeldt

Welfare reform and the vulnerability of mothers with intellectual disabilities (mild mental retardation) 82
Sharon Landesman Ramey and Bette Keltner

Family matters

Responding to changing family organization 87
Maria Cancian and Daniel R. Meyer

Unwed parents: Myths, realities, and policymaking 93
Irwin Garfinkel and Sara McLanahan

Assessing the influence of welfare reform on child welfare systems 98
Kristen Shook Slack

Child care for low-income working families 106
Barbara Wolfe and Deborah Lowe Vandell

Early childhood interventions: Knowledge, practice, and policy 112
Arthur J. Reynolds

Strengthening families: An agenda for TANF reauthorization 118
Shawn Fremstad and Wendell Primus

Reshaping reform

Refreshing reform: Ideas from British welfare strategy 124
Robert Walker and Michael Wiseman

Immigrants and welfare reauthorization 129
Shawn Fremstad

Funding issues in TANF reauthorization 136
Zoë Neuberger, Sharon Parrott, and Wendell Primus

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Introduction: Reauthorizing TANF

For the communities of scholars, policymakers, officials, and activists interested in the well-being of poor American families, the welfare reform legislation of 1996 was a watershed event, redirecting the flow of policy and funding and changing the terms of public discussion and the focus of social policy research on the poor.

How has the legislation affected the lives of poor families and how will it impinge on the next generation? It is still too early to give a definitive answer to this question. The reforms attempt to influence work, marriage, fertility—among the most complex of human behaviors. Design and implementation across states unfolded with differing speed and success. The processes of collecting and analyzing social data are frequently slow. And the changes are happening during a period that has seen a very strong economy and a great many other tax and program changes likely to affect work and family behavior. Nevertheless judgments, however hedged, must now be made because of the impending expiration and reauthorization of the 1996 legislation.

As part of its contribution to the discussion, IRP has undertaken to bring together, in this issue of *Focus*, articles that probe aspects of the Temporary Assistance for Needy Families (TANF) program. The scholars contributing to this special issue have spent the greater part of their professional careers in the study of poverty and welfare from varied disciplinary perspectives. We asked them, in light of the upcoming debate, to step back and give us their thoughts about the most important things that policymakers and others should know as they consider reauthorizing the welfare legislation.

The articles that follow are loosely grouped into five sections.

Devolution

We begin with the states, because the most momentous change of the welfare reform legislation was its decentralization of the responsibility to shape and implement policy. Articles by Thomas Corbett, by a group of midwestern state officials, and by Rebecca Swartz explore some consequences of the decision to devolve responsibility from the federal government to the states. Howard Chernick and Andrew Reschovsky ask if states can continue what they have begun as the nation moves into recessionary times and fiscal uncertainties. James Ziliak discusses caseload trends, the most visible indicator of the success of welfare reform. To what extent are the precipitous drops in caseloads since the middle 1990s a consequence of the welfare reforms, and to what extent a consequence of other events—trends in the American economy, or changes in tax laws that have increased the economic returns to low-wage work?

Implementation

Now that welfare policy is radically decentralized, there are at least 50 different state policies, often implemented according to local agency understanding and capacities, instead of one welfare policy, implemented more or less according to rules from the center. What exactly is happening in a particular program as it is put in place in different states or local jurisdictions? What is happening within agencies, and have the relationships between agencies and those they serve changed as much in practice as in theory? Why have some states taken one path, some another; why have some moved ahead while others appear mired in controversy? These broad issues of governance are examined in articles by Thomas Kaplan and Lawrence Mead.

Equally important as understanding how programs have been shaped is understanding what they have accomplished. If we are to know with any certainty what is being done, and what the consequences are for families on which the legislation is having so powerful an influence, it is imperative that the states and the federal government improve their capacity to gather program and other social welfare data. Robert Moffitt and Michele Ver Ploeg examine some of the problems with existing data-collecting efforts and suggest remedies.

Work, earnings, and vulnerable populations

This section begins with work, now a focus of welfare policy. Articles by Joseph Hotz, Charles Mullin, and John Karl Scholz and by Melissa Wavelet and Jacquie Anderson ask basic questions about the employment of former welfare recipients. How well are they doing in the labor market, and what are their longer-range employment prospects? How best might employment be sustained and income increased among those who are working? David Autor and Susan Houseman explore the role of the temporary employment agencies, which have emerged as one of the most important labor market intermediaries. Are they a path to advancement or merely a way to shunt welfare recipients off the rolls and into dead-end jobs? And Harry Holzer examines the attitudes and actions of the employers who are most likely to hire low-wage workers.

Federal legislation explicitly recognized that some participants would encounter special difficulties in becoming self-supporting. The 1996 bill exempted 20 percent

of the welfare population from work requirements. Articles by Sandra Danziger and Kristin Seefeldt and by Sharon Ramey and Bette Keltner document the varied and often severe difficulties facing the "hard to serve" segment of the welfare population. Ramey and Keltner suggest that perhaps as many as 30 percent of all recipients may simply be unable ever to reach the levels of self-sufficiency demanded by the legislation.

Family matters

In passing the 1996 welfare reform legislation, Congress specifically addressed family matters that had been absent from welfare policy discussion for almost a generation—marriage and the responsibilities of parents. The extent and intensity of state efforts to respond to this aspect of the legislation have differed widely. Maria Cancian and Daniel Meyer set out what research has to say about changing family organization and the consequences of those changes for important goals of the welfare reform legislation. Irwin Garfinkel and Sara McLanahan report research findings regarding the characteristics of the unwed parents whose children are likely to constitute the bulk of the welfare population and examine what can be done to strengthen these "fragile families." Kristin Shook Slack examines these and other equally fragile families from another perspective, exploring what we know about the interactions between the new welfare programs and the child welfare system.

On a more hopeful note, articles on child care by Barbara Wolfe and Deborah Vandell and on early childhood interventions by Arthur Reynolds conclude that policies to ensure that children in disadvantaged families begin school and adult life on a more equal footing with better-off children are both feasible and cost-effective.

Finally, Shawn Fremstad and Wendell Primus offer an agenda for a reauthorized TANF legislation that will, they believe, strengthen families and increase the number of children in stable two-parent families without disadvantaging or stigmatizing single-parent families.

Reshaping reform

If reform does need fresh ideas, it might prove helpful to look abroad for them. The United Kingdom has learned much from American models, and Robert Walker and Michael Wiseman suggest that it may in return offer novel approaches and useful models.

More than one in five low-income children in the United States now live in noncitizen families. The 1996 legislation imposed unprecedented restrictions on immigrants; though some of these have been rescinded, we still know very little about the effects of those still in place. Shawn Fremstad discusses the effects of the legislation on immigrant families and suggests changes that will bring the restrictions more in line with the law's overall emphasis on work-based reform.

Whatever the outcome of the debates over reauthorizing TANF, without adequate resources states will be unable to provide the necessary services and supports to low-income families. Zoë Neuberger, Sharon Parrott, and Wendell Primus discuss improvements in the funding mechanisms and structure that are needed to ensure that states can maintain existing services to families while building new initiatives to achieve the purposes of TANF.

In the 25-year history of *Focus*, this is the longest issue ever produced. Yet the issue considers just one subject, the reauthorization of the welfare legislation. Even there it leaves some key issues unexplored and it does not directly address closely related topics such as Medicaid and the State Children's Health Insurance program. The U.S. executive and legislative branches clearly have large tasks ahead as they consider reauthorization. The 1996 legislation unquestionably changed the landscape of welfare. The challenge of reauthorization is to preserve the gains in a more troubled economic climate, while improving the economic and family conditions of clients who have not so far been helped by the program.■

The new face of welfare: From income transfers to social assistance?

Thomas Corbett

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TANF reauthorization—the conventional story

In one telling, the contemporary welfare reform narrative about poor families with children is straightforward. Passage of the Family Support Act (FSA) by Congress in 1988 challenged states to strengthen policies requiring welfare recipients to work or prepare for work. At the state level, a plethora of waiver-based reform activities subsequently pushed the work agenda much further than FSA required and, in addition, envisioned unanticipated directions for reform.[1] The confidence engendered in many states by their introduction of increasingly ambitious initiatives paved the way for structural reform of the national social safety net. In 1996, passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) substantially altered the way we think about welfare in the United States.

PRWORA made important changes to the Supplemental Security Income (SSI) program for children, Food Stamps, the child support enforcement and child care systems, and child nutrition programs. Other changes were directed at policy domains that intersected existing programs and policies, for example, assistance to immigrants and reduction in nonmarital births.[2] Most policy and public attention, however, has focused on the Temporary Assistance for Needy Families (TANF) program, which has replaced Aid to Families with Dependent Children (AFDC), the primary cash income support system for poor families with children that was established as part of the Social Security Act in 1935.[3]

TANF established a different federal-state relationship based on a funding mechanism rather than a new program, and articulated a somewhat broader set of program goals than existed under AFDC. These are:

1. Providing assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. Ending the dependence of needy families on government benefits by promoting job preparation, work, and marriage;
3. Preventing and reducing the incidence of out-of-wedlock pregnancies and establishing annual numerical goals for both purposes; and
4. Encouraging the formation and maintenance of two-parent families.[4]

TANF eliminated cash welfare as an individual entitlement and created a state entitlement to an annual fixed amount of dollars—a block grant.[5] It also placed a 60-month lifetime limit on the receipt of federal benefits and mandated that states require recipients to engage in work or work-related activities within two years after they have begun receiving benefits.

TANF further expects states to achieve mandatory work participation rates for recipients of cash assistance. Half of all single adult recipients and 90 percent of all two-adult families are to be engaged in work or work-related activities by 2002. In contrast, the FSA had required mothers with children three years and older (younger at state option) to participate in welfare-to-work activities and had defined such activities rather broadly to include education and training activities as well as work. TANF applies the participation requirement to mothers with younger children and defines permissible work activities more narrowly.

Most critically, however, TANF sends new signals to the state and local agencies that now exercise substantial authority over welfare programs. TANF implicitly recognizes that individual and collective behaviors are as important to being disadvantaged as is any income deficit and that states must exercise ingenuity and entrepreneurship in addressing the complex needs of low-income families.

But the story of welfare reform did not end with the structural reform enacted in 1996. Rather, reform remains a work in progress, in part because we do not yet know how it will play out in the radically changed economic landscape the United States now inhabits, and in part because we do not yet have definitive answers to some of the serious questions raised when PRWORA was enacted. We explore dimensions of this continuing drama in this issue of *Focus*.

Apocalypse revisited

When it was implemented, TANF was hailed by some as a watershed in the way that the United States would

design and deliver social assistance to its most vulnerable families. Other observers assailed the enabling legislation as a disaster for the poor and a betrayal of solemn pledges made sixty years earlier when AFDC was established. When President Clinton signed PRWORA into law, three members of his administration resigned in protest; this was the only policy decision of his administration to prompt such a reaction. Among other things, critics feared a "race to the bottom" in which states would vie with one another to introduce harsh measures designed to lower caseloads and save money.

Such contention is to be expected, since cash welfare for families, although accounting for a tiny proportion of federal outlays, touches upon our most sensitive public issues: work, family, sex, abortion, personal responsibility, and community integrity.[6] Welfare has served as a proxy for fundamental questions about the quality of life in society and about how to allocate personal and public responsibilities.

We are uncertain as a society whether assuring economic security for children is more important than signaling clear consequences for parents who fail to play by generally accepted rules. We have argued—and still argue—whether individual dispositions or societal barriers are at the root of welfare dependency. We have debated the efficacy of available interventions and technologies: Can economic sanctions and incentives effect changes in fundamental behaviors—work, fertility, marriage? Can the human capital of low-wage workers be raised to competitive levels? Would even the most disadvantaged respond if work were really a rational economic alternative? And we have debated the ends of reform—to save money or to save people, to reduce poverty or minimize dependency, to get people into a job or help them secure a career.

Amidst the clamor, it appears that the vision of apocalypse for poor families feared by many critics of PRWORA has not materialized. Indeed, much of the available evidence to date has been encouraging.

Caseloads have plummeted. The number of families receiving cash welfare from AFDC or TANF fell by 57 percent from January 1994 to January 2001. From 1996 to early 2001, the caseload fell from 4.6 million families to 2.1 million.[7] The caseload decline has been sharper among younger mothers (ages 18–24) and mothers with younger children.[8]

More low-income mothers are working. From studies of women leaving welfare we know that about two-thirds work at any given time after they leave, and 80 percent give evidence of some attachment to the labor force.[9] Overall, the labor force participation of single mothers jumped from 63.6 percent in 1994 to 71.5 percent in 1999. Significantly, the proportion of never-married mothers who were working increased from slightly less than 50 percent to almost 65 percent.[10]

Incomes of disadvantaged mothers are up. Those leaving welfare, on average, secure low-paying jobs, typically earning between $6.50 and $7.00 per hour, and experience only modest increases in wages over time. Still, many of them, especially among the very poor, have gained. The poorest fifth of women with children saw their average incomes increase from $7,920 in 1996 to $8,867 in 2000. The proportion of their income from personal earnings jumped from 26 percent to 36 percent, the proportion from welfare fell from 53 percent to 37 percent.[11]

Poverty is down. All the relevant measures of poverty have been headed in the right direction. The poverty rate for female-headed families fell from 36.5 percent in 1996 to 30.4 percent in 1999 and child poverty declined from over 20 percent to less than 17 percent. Moreover, the proportion of children in deep poverty, those in families with incomes below half of the federal poverty threshold, also fell from about 9 percent to less than 7 percent.[12]

Other indicators of family well-being show promise. The nonmarital birth rate flattened out in the 1990s, after rising from 1 in 20 births in 1960 to 1 in 3 births by the early 1990s. There has been a slight increase in the proportion of black children living with both parents in recent years. At the same time, the teen birth rate has declined from 62.1 births per 1,000 in 1991 to 48.7 in 2000.[13]

Evidence, however, seldom resolves fundamental public policy issues. Not surprisingly, welfare debates never really end; they are merely recast. The evidence so far is encouraging, but the full consequences of reform are not known. What will happen to those who have exited the rolls, or to those pushed off assistance by sanctions or time limits as different economic cycles play themselves out? What is happening to those poor who no longer apply for help because the new signals discourage them? How are states exercising their new discretion and authority? Are TANF agencies focusing on the right ends? Will adequate federal and state fiscal support be maintained into the future? Will poverty take center stage again as a policy concern, and how will it be conceptualized? Will other ends—marriage or community revitalization or investments in children—become the future litmus tests for reform? The issues are numerous.

Conventional TANF issues

The reauthorization dialogue, now well underway, encompasses a broad set of very complex issues. At the risk of oversimplifying this discussion, I attempt to summarize the more important issues in a discrete number of categories—*purposes, money, social engineering, vocabulary,* and *control*:

Purposes. Should the four original purposes of TANF be revisited?[14] Observers correctly note that purposes reflect

federal signals to the states about what is important.[15] These signals are more powerful when accompanied by positive and negative fiscal incentives, even though states often view existing federal incentive awards as more like winning a lottery prize than reflecting their astute management practices.

The early debate seems to be coalescing along ideological fault lines. Those of a liberal persuasion argue that the reduction of poverty, and particularly of child poverty, should be made an explicit national purpose. The most common response to this suggestion is cautionary: that TANF is a small engine to address such a lofty goal, and failure to achieve unrealistic standards might reflect badly on the program or on those responsible for the program.

Conservatives, on the other hand, wish to strengthen the social agenda introduced by TANF, particularly to encourage marriage and reduce nonmarital births. A common response is that we have little rigorous evidence regarding effective strategies for achieving these ends, nor has a societal consensus emerged around the marriage goal.

The center, insofar as it converges on any common agenda, pushes the development of work retention and advancement policies for the newly employed poor and, in a larger sense, for the legitimization of expanding services to at-risk families and children. One cautionary response is that this might create a new target population and raise expectations that will stretch available resources.

Money matters. The TANF block grant itself is the focus of intense discussion. What should be its size, given that dramatic reductions in conventional cases have been offset by an expanding array of new initiatives? How should the block grant be distributed in the future, given that the initial distribution was based more on existing state efforts to assist the poor than on any reasonable measure of need? How much of the block grant should be segregated for a variety of special purposes—contingency funds, incentive funds, and set-asides to ensure that states pursue identified national goals?[16] And what kinds of financial investments should be required of the states to match federal commitments?

Other money issues are likely to persist: How to structure a fixed block grant that can respond to dynamics over time such as migration patterns or economic cycles and how to handle the inevitable erosion in the value of the block grant—by the time TANF is reauthorized, inflation will have lowered its real value by as much as one-quarter.

Social engineering. TANF is not a pure block grant. A prescriptive federal vision of what reform should be exists in uneasy conjunction with the vision of states as inventive laboratories of innovation. For example, the PRWORA legislation restricts federal funding for longer-term recipients and for younger teen mothers living in unapproved settings. Federal work expectations for recipients of aid nudge states to adopt stiff penalties for those who do not comply with the rules.[17] The issue is centered on which vision will prevail—the one in which a residual federal prescription for social engineering remains or the vision of a more radical devolution where policy authority truly is allocated to the states.

There is also a widespread professional belief, not fully documented by the empirical evidence, that many who remain part of the shrunken caseload are women whose personal circumstances categorize them as "harder to serve"—women for whom finding and maintaining work will be very much more difficult, for a variety of reasons. Should authority to exercise some of the "tough love" provisions in TANF be delegated to the states as a consequence? Should time limits perhaps be waived for families playing by the rules—for example, those working half time and also pursuing additional vocational skills? Such delegation of responsibility would enable states to adopt a more aggressive program to support the working poor through income supplements and career advancement initiatives. The larger question, discussed below, is whose social agenda will be engineered when the agendas of state governments, who see themselves as closer to people's circumstances, differ from that of the federal government, which pays most of the bills?

Vocabulary and concepts. The world of welfare has changed dramatically, as a traditional income support program evolves into a multidimensional network of social assistance. This is reflected in changed spending priorities. Between 1996 and 2000, the proportion of state welfare expenditures going to cash assistance in seven Midwestern states fell from 72 to 30 percent. In Wisconsin, for example, only two-thirds to three-quarters of the official welfare caseload, cases actually open under the states' Wisconsin Works (W-2) program, received cash assistance; the remainder are helped only though social services. Moreover, uncounted others in Wisconsin receive help through one-stop job centers or community programs at least partially supported by TANF dollars. The "invisible case" phenomenon is a growing issue in many states; yet the federal definition of assistance is tied to the old technology of welfare—issuing a check. This definition surely needs revisiting.[18]

The old vocabulary, current since the late 1960s at least, drew on the traditional language of economics and accounting and assumed that welfare was indistinguishable from an income-transfer-based core technology. We heard words like accounting period, guarantee, break-even point, marginal tax rates, income and substitution effects, and so forth. But if the core functions of welfare are evolving, we need to refresh our vocabulary if we wish to avoid confusion. We need terms and concepts

that reflect the transition toward direct investments in, and interventions with, children and families and communities in need of help.

Control and accountability. Finally, reauthorization must address core issues of responsibility and accountability. States may well argue that they were prudent stewards of the new flexibility afforded them in TANF and that a true block grant concept should be included in the next version of TANF. In such a rigorous vision of devolution, the former emphasis on process as a means of ensuring accountability would be replaced with an emphasis on a set of outcomes. The federal government would no longer specify countable work activities in detail, but might identify some outcomes to promote equity across states, leaving others to be locally determined so as to reflect variation in circumstances and preferences.

Many, of course, remain uneasy with the wide variation in effort and ingenuity across and within states. They tend to argue that federal oversight should, if anything, be strengthened and are skeptical that the country can reach any consensus on meaningful outcome measures that would replace process guarantees. But although many of the difficulties confronting any transition to performance-based accountability are technical in nature, and thus solvable, they nevertheless remain daunting. We do not at present have the data-gathering infrastructure to collect the meaningful, population-based data necessary to implement such an intergovernmental management strategy. Technical difficulties, moreover, are usually susceptible to technical solutions only if there is a willingness to invest political will and fiscal resources.

The faces of welfare

What we do in the future depends, in large measure, on how we conceptualize welfare in the first place. We are in some ways quite unsure about the essential character of assistance as it transitions from a narrow income transfer function to a broader notion of social assistance, creating what might be called a new "face" of welfare.[19] This transformation is encapsulated in Table 1.

The old face of welfare

In essence, traditional welfare programs were public transfers with two distinguishing characteristics: (1) the benefits can be received in the absence of work and (2) benefits paid to welfare recipients are reduced when they begin to earn, and the rate of reduction substantially exceeds any tax rate we would dare impose on other members of society.

Consider the second point. Today, few would consider raising the highest federal income tax rate to 50 percent—essentially the rate that existed prior to the last major overhaul of the tax system in 1986. Rates of 70 percent, which existed in the 1960s, and over 90 percent, in effect after World War II, seem confiscatory today. Yet a working AFDC client in the pre-TANF era could easily lose one dollar in benefits for each dollar earned, effectively facing a 100 percent tax rate.

Table 1

OLD WELFARE	NEW WELFARE
Problem Amelioration	*Investment-Prevention*
Benefits	Behavior
Services	Solutions
Adult recipient	Whole family
Static concept (PIT)	Longitudinal (PIP)
Bureaucratic orientation	Professional model
Autonomous worker	Collaborative worker
Autonomous agency	Transparent boundaries
Risk aversive	Risk taking
Process	Products

By 1996, decades of experience and research had made it clear that the core principles of cash welfare programs as they then existed were deeply flawed as an antipoverty strategy. Welfare created an array of perverse outcomes, unintentional consequences of policies enacted with the best of intentions. Ironically, these adverse outcomes came from trying to achieve desirable public policy principles—*target efficiency, horizontal equity,* and *management accountability.*

Target efficiency. When resources are scarce, it seems sensible to target benefits on certain categories of individuals (e.g., single-parent families) and income classes (the asset- and income-poor) that are most in need. Because benefits were targeted on one-parent families, creating at least the appearance that welfare encouraged counterproductive fertility and marriage choices, AFDC came to be seen as a deterrent to stable family formation. Because families developing assets were thrown off the rolls, the program discouraged savings and long-range thinking.

Horizontal equity. This is sometimes referred to as the "trap of equality."[20] The desire to minimize perceived abuses associated with individualized treatment of families led to routinized policies and invariant administration. All families that appeared similar, at least within the same state, were to be treated the same. In distributive justice terms, the search for a rough sense of equality sacrificed any true equity that took into account real differences among families.

Management accountability. For two decades, the dominant administrative goals focused on getting benefits out

accurately (no agency error or client abuse) and efficiently (lowest possible administrative cost). In striving to meet these twin management goals the welfare system subordinated the needs of its clients and became more consumed with processing data than with helping challenged families. This led to perverse practices. Because AFDC cases involving working adults were complex and error-prone, for example, hard-pressed welfare workers were not enthusiastic about encouraging clients to work.

In the end, we wound up with an income transfer system that failed to lift dependent children out of poverty while generally ignoring the root causes of their difficulties.

The new face of social assistance

Achieving the expectations set under TANF, most states quickly realized, meant more than merely adding a few conditions—work requirements and time limits, for instance—to the traditional welfare function of getting a check out the door. It meant transforming basic program purposes and organizational cultures.

This transformation is reflected in four common features of the various innovations unleashed by the 1996 act, and presaged by earlier waiver-based initiatives. First, the basic mission of programs came to be seen as transforming individual, family, and community behaviors, not issuing checks. Second, the locus of real program authority shifted first to the states, then to local county or state agencies, and then to the front lines. Third, programs that attempt to transform behavior have their own technological imperative—they are less rule-driven and demand more autonomy and judgment on the part of front-line workers. Given these transformations, the last feature is inevitable. Because it has become very difficult to monitor rule conformance under a highly devolved and behavior-focused system, we will most likely look to performance, what is accomplished, and not to process, what is done.

Reform has become more of an evolutionary process and less a periodic, distinct event. Over the past several years, state and local officials have been quite successful in moving low-income adults into the labor market. But this was recognized as only a first step in the reform agenda. New entrants must be kept in the labor market through a variety of work supports, functioning two-parent families need to be nurtured and promoted, and the communities in which low-income families reside must be strengthened.

Early on, the more farsighted policymakers recognized that the ultimate purpose of reform was to prevent dysfunction and dependence in the first instance, by promoting independence and through prudent investments in children, families, and communities. Today's reform landscape has moved closer to this early vision. For example, in seven upper Midwest states, proportional spending on what has been termed family stability issues increased threefold between fiscal year 1996 and fiscal year 2000. Many of these dollars are directed toward investments in children and youth or in efforts to stabilize families.[21]

The new face encompasses varied and multiple goals (work, marriage, wiser fertility decisions, and better parenting), and encompasses multiple targets (adult recipients, children, nonrecipients, families, fathers, and communities). Moreover, the new face relies upon complex, behavior-focused programs that tend to be dynamic and longitudinal—seeking fundamental change over time in those served. Interventions tend to be multidimensional—addressing several issues simultaneously as they seek to encourage positive behaviors and discourage those that are counterproductive. If welfare workers in the emerging era are to be effective, they must eschew bureaucratic rules and adopt professional norms.

As this happens, the organizations within which workers function will become structurally flatter and less hierarchical. Agency boundaries themselves will become porous as interagency agreements and one-stop models emerge. Malleable and plastic institutional forms that can respond quickly to new challenges, that are more entrepreneurial in their approaches, will supplant traditionally static and risk-averse welfare systems. Distinct program and funding streams, the "silo" approach to social policy, will be merged into networks of social assistance. Within agencies, horizontal patterns of communication, dialogue among peers, will become more prominent, and discretion at the operational level will replace traditional command-and-control organizational strategies.

The new culture of social assistance may well require a different kind of worker. Agency workers are less likely to be detail-oriented functionaries executing policies, more likely to be professionals working in teams to set policies and solve difficult social problems in creative and flexible ways. And rather than ignoring the most difficult cases, the most troubled families, they will try to engage them. Finally, the new face of social assistance will focus on products, meaningful outcomes, rather than process, e.g., activity counts or management efficiency and accuracy measures.

The new face of social assistance and TANF reauthorization

This new world of welfare generates a fundamental tension in the dialogue about TANF. We can approach reauthorization as a debate about an income transfer program that has been enhanced by "tough love" provisions and a modest shift of control to the states. Arguably, however, the opportunities for change—and the stakes at risk—may be greater. Before considering the future we might

first rethink the nature and character of welfare as traditionally viewed by key stakeholders during the entitlement era of welfare, a period roughly running from the late 1960s through the early 1990s.

The seduction of economic efficacy (first the economists). Somewhere in the 1960s we came to equate social assistance with the mere transfer of economic resources to poor families, the first foundation of welfare during this period. The economic paradigm emerged and, not surprisingly, economists began to dominate poverty and welfare policy. The policy challenge was to remedy immediate income shortfalls; the dominant response involved income transfers. With the exception of human capital theory, most policy efforts involved some attempt to transform behavior by altering economic outcomes. For example, we tried to promote work by reducing benefit reduction rates or marginal tax rates, thus attempting to improve vertical equity so that those who worked more earned more.

The seduction of the equality trap (and then the lawyers). A second foundation of the modern welfare state is the notion of horizontal equity—treating like families alike. But taken to the extreme, this led to a uniformity in the treatment of clients that resulted in less equity. Easily observable characteristics such as family size predominated over real and fundamental differences, e.g., human capital levels or family functioning measures, in determining what help families actually received. Everyone got the same flat grant despite wide variation in circumstances and capabilities. It was feared that the application of professional judgment or discretion was likely to invite claims that due process had been violated and also raise the specter of agency or worker abuse.

The seduction of accountability (and the public management gurus). A third foundation is the long-standing effort to introduce accountability into the management of welfare. But this has meant an obsession with process measures: Are the checks accurate? At the same time, there emerged a concerted focus on efficiency: Is the core technology of welfare agencies being executed with low overhead costs? The focus on process and efficiency drove the "culture" of welfare offices in predictable directions. Applicants and recipients were reduced to information inputs and agencies evolved into isolated and independent information-processing systems.

The seduction of the silver bullet (and the evaluators). A fourth foundation of the welfare state, a more recent development, has been the use of rigorous analysis to identify policies and programs that "work." These efforts are laudable and much has been learned. At the same time, there is a conservative dimension to evaluative efforts. They seek to isolate and estimate the independent effects of particular policies and strategies. The search was for *the* policy or program that would solve the welfare problem, as if there were such a magic potion. This scientific imperative, along with surprisingly high levels of control-group contamination, resulted in studies measuring modest impacts at best and in a sobering sentiment that nothing works really well. Consequently, we were in no way prepared for the outcomes emanating from dramatic changes in institutional cultures tried under TANF in some areas, since such results defied the best estimates of science. Perhaps it was a good thing that some policymakers ignored the evidence and went with their instinct.

The seduction of program and funding silos (and the politicians). There is a fifth foundation in the political imperative that seems to push lawmakers toward creating new programs and funding streams. These are typically categorical in character, organized about specific target groups, service technologies, or purposes of the moment. At the operational level, it is obvious to welfare officials that challenged families need coordinated and individualized attention, not a specific intervention that is in favor or that happens to be available. This creates a tension between those who wish to ensure accountability by narrowly defining who is to be served and in what manner and those who wish to expose troubled families to whatever it takes to turn their fortunes around irrespective of the particular program category into which they might fall.

The seduction of ideological certitude (finally the social workers). Nowhere is the problem of rigid thinking more evident than in the helping professions. Those developing the new model of welfare talk openly of the need for a new kind of professional as we work directly with families to help them function better and participate more fully in society. All too often, social workers and other helping professionals have chosen to criticize welfare reform from the sidelines rather than engage in constructive efforts to make these more ambitious efforts work.

Taking the longer perspective means thinking outside existing boundaries. It means eschewing marginal changes in favor of creating an environment where entrepreneurship and risk-taking can flourish. States and their local partners have shown imagination and flair in developing new institutional arrangements and intervention strategies to help struggling families, though mistakes clearly have been made and significant challenges remain. But this era of experimentation may be short-lived if resources are constrained or the economy deteriorates.

Final thoughts

If we are to have a really meaningful discussion about reauthorization, we need to get back to some fundamental questions. For example:

What are the purposes of "assistance?" State and local officials already have developed new purposes for TANF. They have moved aggressively into programs for the working poor, have committed to strengthening families and communities, and have initiated a broad range of prevention strategies.

What do we mean by "assistance?" Assistance no longer means cash support. But what are the boundaries that constrain where a TANF agency can spend money? If we invest in parenting programs for broad segments of the low-income community, is that acceptable? Or if we invest in transportation systems to get people to jobs, is that appropriate? One person's ingenious program initiative is another's fiscal waste, and officials often worry that decisions will be questioned retroactively.

What is a welfare agency? Some of the most exciting innovations occur when services are blended and institutional boundaries blurred. In these one-stop environments, seamless services that are transparent to the customer are possible. Agency workers can be located outside the agency in schools or community centers, or with large employers. Networks of public, nonprofit, and for-profit providers can be intertwined in complex working relationships. But as these different institutional forms emerge, officials again fear that someone will second guess the decisions made.[22]

Who are the clients? It used to be clear that clients, recipients in the "old welfare" days, were the ones getting the checks. Today, that may not be the case at all. But even if we add case-management-only families to cash assistance cases, we have barely begun to include those reached by the new welfare. There are at least five target groups touched by emerging initiatives: (1) cash recipients; (2) former cash recipients who might be getting help to retain or advance in employment or to function better in society; (3) potential recipients who might get help to prepare for life, work, parenting, marriage, etc.; (4) broader segments of the community where potential problems might be addressed before intensive intervention is needed; and (5) those parts of the community infrastructure that influence the well-being of the disadvantaged.[23] The truth is we cannot count all those affected by TANF initiatives. How do we count, for example, those reached by a public awareness campaign to dissuade teens from engaging in at-risk behaviors?

What is success? How do we move to outcome-based accountability systems? Given a focused and productive public debate, we might well agree on a set of national and locally driven outcomes of interest. Agreement on measuring the likely range of outcomes important at the local level is another matter entirely. Absent an adequate investment in a data infrastructure that will give us timely, locally grounded information, our accountability mechanisms will inevitably be constrained to what it is feasible to measure, not what we care about. No other area of welfare is so clearly a federal responsibility.[24]

One irony of the TANF era welfare debate has been its predictability. The dialogue often has a conventional feel about it, as if the new face of welfare were little more than a warmed-over AFDC program touched up with time limits and a few additional behavioral requirements imposed on recipients. In reality, TANF reauthorization offers an opportunity to rethink the nature of social assistance in the United States. The dominant question is not whether TANF succeeded or failed, but rather what TANF is and what potentials might be encouraged if properly nurtured. The last few years have shown that given resources and opportunity many local officials will explore innovative policies, programs, and institutional strategies. They also suggest just how well disadvantaged families and the systems of support designed to work with them can be engaged and energized. At the same time, these new experiments might well not survive resource constraints or contradictory federal signals.

The irony is that we have had a very difficult time moving beyond the concepts and vocabulary of a welfare system that almost everyone despised and that many states and local communities consciously eschewed as they explored the frontiers of reform. The way it has always been done, or so it seems, is not the way it must always be. Perhaps what we need is an invigorated, open dialogue where stakeholders move beyond their conventional positions. Ideally, the dialogue would be premised not on the face of welfare that we are replacing but rather on a vision of social assistance that, when properly imagined and articulated, can take us into the twenty-first century. ■

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[1]The Ohio LEAP program and the Wisconsin Learnfare program were among the first to use fiscal incentives within welfare as "social engineering" to achieve desired behaviors beyond the adult recipient entering the workforce. On Learnfare, see T. Corbett, J. Deloya, W. Manning, and E. Uhr, "Learnfare: The Wisconsin Experience," *Focus* 12, no. 2 (1989): 1–10.

[2]See the appendix to R. Haskins, I. Sawhill, and K. Weaver, *Welfare Reform: An Overview of Effects*, Welfare Reform and Beyond Policy Brief 1, Brookings Institution, Washington, DC, 2001, for a succinct summary of major provisions.

[3]AFDC was known as Aid to Dependent Children (ADC) when first established. Title I of PRWORA, Public Law 104-193 (1996) also replaced the Jobs Opportunities and Basic Skills Training (JOBS) program and the Emergency Assistance program.

[4]See PRWORA, Sec. 401(a).

[5]PRWORA also created contingency funds for states experiencing economic downturns or excessive population growth; these were to be allocated on a competitive basis.

[6]Even at its height, federal spending on AFDC was less than 1 percent of federal outlays.

[7]From data routinely published by the Administration for Children and Families of the U.S. Department of Health and Human Services.

[8]The proportion of younger mothers getting assistance fell from over 50 percent in 1993 to less than 30 percent in 1999. In 1994, 62 percent of all children received help from AFDC; the proportion had declined by one-third by 1998.

[9]See G. Acs and P. Loprest, "Studies of Welfare Leavers: Methods, Findings, and Contributions to the Policy Process," in *Studies of Welfare Populations: Data Collection and Research Issues*, ed. C. Citro, R. Moffitt, and M. Ver Ploeg. Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, Committee on National Statistics (Washington, DC: National Academy Press, 2001).

[10]Haskins, Sawhill, and Weaver, *Welfare Reform*.

[11]Federal spending on TANF is fixed, and thus declining in real terms, and TANF spending on cash assistance has fallen dramatically. But spending on some other programs for low-income families and children has increased. For example, spending on the Earned Income Tax Credit jumped from $15.5 billion in 1992, the peak year of AFDC spending, to $31.9 billion in 1999. Spending on WIC, Head Start, and School nutrition programs is also up. See J. Scholz and K. Levine, "The Evolution of Income Support Policy in Recent Decades," *Focus* 21, no. 2 (Fall 2000): 9–15, for an overview of spending trends.

[12]For a summary of this issue, see R. Haskins and W. Primus, *Welfare Reform and Poverty*, Welfare Reform and Beyond Policy Brief 4, Brookings Institution, Washington, DC, 2001.

[13]Child Trends, *Facts at a Glance*, August 2001, Washington, DC, on the Child Trends World Wide Web site at
< http://www.childtrends.org/PDF/FAAG2001.pdf >.

[14]The first proposal to alter the purposes of TANF was introduced in October 2001 by Rep. Patsy Mink (D-Hawaii) as H.R. 3113. Among other things, it would make the reduction of child and family poverty a national goal.

[15]For example, see M. Greenberg, "Welfare Reform and Devolution: Looking Back and Forward," *Brookings Review* 19, no. 3 (Summer 2001): 20–24.

[16]Recently, some 17 states received supplemental grants to account for population growth and disproportionately higher need.

[17]Some 35 states adopted full family sanctions, under which the total grant was lost, though substantial variation exists in the extent of use and the circumstances in which they were applied.

18The U.S. General Accounting Office (GAO), responding to a request by Rep. Benjamin Cardin, is currently attempting to assess the extent to which nonassistance cases are being served. See also the article in this *Focus* by Swartz.

[19]Much of the following analysis emerged from the discussions over the past several years of the Welfare Peer Assistance Network (WELPAN).

[20]This characterization was suggested by Joel Rabb, a TANF official from the state of Ohio and a member of WELPAN.

[21]The seven states participating in WELPAN are Indiana, Illinois, Iowa, Michigan, Minnesota, Ohio, and Wisconsin. The state of Ohio, for example, has spent almost $700 million dollars on its Prevention, Retention, and Contingency initiative over the past several years. This is seen by state officials as a "new system" that is "proactive, looking *forward* to *prevent* and strategically *intervene* when the investment can forestall long-term dependency." In the 2000–2001 biennium, Ohio invested $92 million of TANF dollars into child welfare and protection, $89 million in youth educational support services (birth to 18), $41 million in early childhood development and parenting services, $34 million in community development initiatives, $11 million in pregnancy prevention, and $7 million to reduce domestic violence. These are just a few examples of direct investments in children and families. See *Reinvesting in Ohio's Communities*, a report prepared by the Ohio Department of Job and Family Services (Spring 2001).

[22]Eugene Bardach has estimated that about half of the innovations which rise to the finalist level in the Ford Foundation/Harvard Kennedy School of Government (Ford/KSG) Innovation in American Government competition require people in different agencies to work cooperatively. E. Bardach, "Implementing Innovation across Agency Lines," Working Paper 42, Richard and Rhoda Goldman School of Public Policy, University of California, Berkeley, 2001.

[23]This might include child care providers, the transportation system, or the housing system, or advocates, or any other group or system that systematically addresses the quality of life in the community.

[24]R. Moffitt and M. Ver Ploeg, eds., *Evaluating Welfare Reform in an Era of Transition* (Washington, DC: National Academy Press, 2001).

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Welfare then, welfare now: Expenditures in some midwestern states

Members of the WELPAN Network

The purposes of social assistance have shifted dramatically over the past decade, and particularly since the enactment of national reform in 1996. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) sought a new vision for helping families. First, the underlying goal of social assistance shifted from partially remedying income shortfalls to addressing behavioral change at the individual, family, agency, and community levels. And second, contemporary reform encourages the reallocation of programs and policy authority to levels closer to where families are actually helped. Members of WELPAN have conceptualized these changes as an emerging set of policy agendas—newer purposes made possible by success in meeting the early challenges of welfare reform.

Briefly, the first generation of contemporary reform saw work-first job placement programs replace the traditional income support function. State and local welfare agency officials soon acknowledged the necessity for a more complete concept of reform encompassing work support goals, job retention, and career advancement. As caseloads fell, policy attention then turned to strategic investments in challenged families and communities. More visionary reformers correctly noted that preventing problems, rather than responding to them, would return social assistance to its earliest foundations—seeking the best strategy for raising healthy and productive children.

In late 2000, WELPAN members decided to examine changes in where they were spending their resources. They surmised that they should be able to document this perceived transformation in the character of social assistance by "following the money." After much discussion, the members agreed upon a number of decision rules for aggregating expenditures under Temporary Assistance for Needy Families (TANF) into general categories that would, they believed, capture the broader missions being encompassed in reform. These rules are briefly outlined in the box on p. 14.

Dramatic shifts in expenditure patterns over time, the network assumed, would reflect changing policy priorities and service technologies that were not always consciously embodied in program mission statements and performance measures. The most meaningful changes within the new world of welfare no longer always took the form of directives from Washington or even state capitols, but came from those closest to the families and communities being served. Thus, substantive change

The Midwest Welfare Peer Assistance Network (WELPAN) is a group of senior welfare officials from seven states in the upper Midwest—Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin. The network has operated since 1996, exploring the evolution and development of Temporary Assistance for Needy Families (TANF). The concept underlying WELPAN is that horizontal communications, sharing among peers, will replace vertical communications, top-down command and control patterns, as the future source of innovation in welfare policy. For more information and WELPAN publications, see the network's home page on the World Wide Web at < http://www.ssc.wisc.edu/irp/welpan/home.htm >

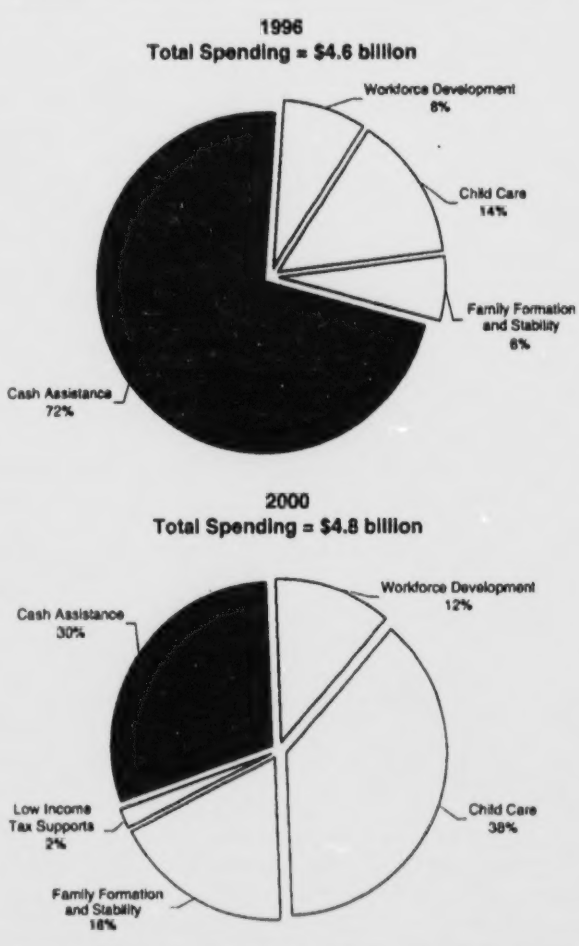

Figure 1. Average distribution of welfare expenditures for a group of upper midwestern states, 1996 and 2000. Included are Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin.

Source: Data provided by member states of the Welfare Peer Assistance Network.

Table 1
Component Expenditure Trends

	Cash Assistance		Workforce Development		Child Care		Family Formation and Stability		Low-Income Tax Supports	
	1996	2000	1996	2000	1996	2000	1996	2000	1996	2000
Seven WELPAN states	72%	30%	8%	12%	14%	38%	6%	18%	0%	2%
Illinois	66	27	5	4	13	38	16	31	0	0
Indiana	65	28	8	6	22	44	4	18	0	4
Iowa	66	35	7	12	13	35	14	18	0	0
Michigan	78	29	11	15	9	40	2	15	0	2
Minnesota	74	44	5	10	13	36	8	11	0	0
Ohio	74	37	8	16	17	36	1	11	0	0
Wisconsin	74	12	8	20	16	45	2	13	0	10

could happen before most of us were aware that the welfare world was quite different.

Figure 1 shows that, between 1996 and 2000, spending on the traditional welfare function—handing out welfare checks—collapsed from almost three-fourths of all spending under the old Aid to Families with Dependent Children (AFDC) program to less than one-third of all spending under TANF. Clearly, there has been a qualitative transformation in welfare functions.

But if welfare is no longer a matter of handing out checks, what has it become? Table 1 gives us a portrait of welfare's new face in the seven WELPAN states. Just four years after the enactment of national welfare reform, *child care* emerged as the biggest expenditure item, jumping from 14 percent to 38 percent. Proportional spending on an array of policy and program initiatives labeled *family formation and stability* tripled in four years, accounting for almost one in five dollars by the 2000 calendar year. Activities organized under *workforce development* showed a modest increase over this period. Finally, some of the WELPAN states began using TANF resources to provide support to working poor families through the tax system. None of these expenditure categories includes administrative costs.

These general categories of spending are not particularly transparent, so we provide some brief definitions. First, there are the big three that account for four-fifths of all spending: *child care*, *cash assistance*, and *family formation and stability*.

Child Care includes direct payments for child care services as well as the costs of developing slots, improving the quality of child care, helping parents find appropriate child care, etc. Much of the increase is attributable to expansion of the population eligible for a subsidy and investments to eliminate waiting lists and improve quality. It is not unusual for families up to 185 percent of the federal poverty line to get some help, as states attempt to decouple child care assistance from receipt of cash welfare.

Cash Assistance consists of traditional income support payments, including payments to vendors for shelter and utility services on behalf of customers. It also includes cash payments to meet short-term economic emergencies.

Family Formation and Stability encompasses a growing number of efforts to help form stronger families, promote a positive environment within the family, invest in the development of children and youth, and address counterproductive behaviors. The list of specific initiatives falling under this label continues to grow: efforts to reduce nonmarital births and teen pregnancies (e.g., Illinois's Teen REACH program); programs to reattach fathers to their children; early childhood investments, including home visits for newborns and good parenting investments; domestic violence prevention and treatment; family preservation services; adoption support programs; adolescent and youth investment programs; intensive family development services (e.g., the Iowa Family Development and Self-Sufficiency program); family planning services; child welfare services (e.g., family foster care, protective day care, adolescent monitoring and tracking, wrap-around services, child abuse prevention help); housing and homeless initiatives (e.g., Minnesota's Bruce Vento Affordable Housing Program); life skills programs; treatment of alcohol and substance abuse; and so forth.

Growing steadily in prominence, though still relatively small, are two other sorts of initiatives: *workforce development* and *low-income tax supports*.

Workforce Development includes a host of expenditures supporting activities designed to prepare recipients for employment, assist them into the labor market, and sustain their attachment to the world of work. This includes all education and training initiatives, work subsidies,

Table 2
Socioeconomic Data

State	Population, in Millions (1999)	Population Growth (1990–99)	Nonwhite Share of Population (1999)	Per Capita Income (1999)	Unemployment Rate (1999)
Illinois	12.1	6.1%	18.9%	$31,278	4.3%
Indiana	5.9	7.2	9.6	26,092	3.0
Iowa	2.9	3.3	3.6	25,727	2.5
Michigan	9.8	6.1	16.6	27,844	3.8
Minnesota	4.8	9.1	7.1	30,622	2.8
Ohio	11.3	3.8	13.0	27,081	4.3
Wisconsin	5.2	7.3	8.1	27,412	3.0

transportation help, labor market attachment assistance, and even short-term job access loans.

Low-Income Tax Supports provide cash assistance through work-based tax payments. The federal Earned Income Tax Credit now dwarfs welfare assistance as a mechanism for distributing income assistance to low-income families. Two of the WELPAN states now use TANF dollars to help finance state EITC programs.

The expenditure patterns across the seven states making up WELPAN exhibit remarkable consistency, considering how diverse the states are in so many ways.

The WELPAN states: Diversity and convergence

The Midwest has been at the forefront of welfare reform since the late 1980s. The seven states of WELPAN have been particularly active. Still, these states represent very different socioeconomic situations (see Table 2). In population, they vary from small, mostly rural states (Iowa) to larger states with significant urban populations (Michigan, Illinois, and Ohio). They vary in rates of population growth, from 3 percent in Iowa to 9 percent in Minnesota, and in the proportion of the population that is nonwhite, from 4 percent in Iowa to 19 percent in Illinois. All had relatively low unemployment rates until the recent downturn, but per capita income varies, from $26,000 (Indiana and Iowa) to over $31,000 (Illinois).

The states also vary in civic traditions, political orientation, and systems of social assistance. Some have long-standing reputations for activist social policies, whereas others typically have been more conservative in this arena. Wisconsin has integrated its TANF system with its workforce development system. Michigan and Minnesota have aggressively used TANF benefits to supplement earnings, but Wisconsin counts all earned income in determining cash benefit amounts. Illinois, Indiana, Iowa, and Michigan operate welfare through state employees; Minnesota, Ohio, and Wisconsin rely heavily on county governments.

Despite variation in environments, policy choices, and organizational arrangements, all the member states have seen steep declines in their cash assistance caseloads (see Table 3). In the seven WELPAN states, 834,000 families were receiving cash assistance in January 1996; the number had fallen to 337,000 by January 2001. In short, the caseload was more than halved in a little over four years.

Table 3
TANF Caseload Changes

	January 1994	January 1996	January 2001
Illinois	238,946	233,664	65,132
Indiana	74,169	52,254	39,413
Iowa	39,623	33,559	20,027
Michigan	225,671	180,790	70,468
Minnesota	63,552	58,510	38,087
Ohio	251,037	209,830	86,483
Wisconsin	78,507	65,386	17,012
U.S. Total	5,052,854	4,627,941	2,143,031

Other programs have also been affected by the policy changes ushered in by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, as well as by the vigorous economy. For example, the population of food stamp recipients fell over time (see Table 4), although some evidence suggests that this decline has stopped, even turned around. In Wisconsin, for instance, the food stamp caseload has increased by one-third in the past two years. The reasons, as usual, are probably complex. Some states market food stamps as an earning support program for the working poor. Moreover, the economy has softened. But the fact that the food stamp decline has not been so deep as the decline in cash assistance cases may suggest that there is still considerable need in these states.

Along with declines in caseloads have been declines in aggregate poverty. TANF was never intended as a solution to poverty, yet increases in poverty during this era of reform

Table 4
Food Stamp Receipt (in thousands)

	January 1994	January 1996	January 2001
Illinois	1,189	1,105	779
Indiana	521	390	300
Iowa	196	177	123
Michigan	1,031	935	603
Minnesota	316	295	196
Ohio	1,245	1,045	610
Wisconsin	330	283	193
U.S. Total	27,468	25,542	17,158

would have been a reason for concern. What we see is encouraging: poverty rates in the WELPAN member states are below the national rate (see Table 5) and virtually all states have seen declines since the inception of reform.

Is the reform revolution over?

For some observers, these numbers might suggest that the reform revolution is over, that the need for resources and continued attention is an issue of the past. Both poverty and caseloads, even if crudely measured, are down. But the members of WELPAN believe it would be a great mistake to look at official caseloads and assume that resources can be cut back.

The reform revolution of the past several years has not been directed toward reducing investments in disadvantaged families. Notably, aggregate spending among the seven states increased (see Table 6) from $4.6 to $4.8 billion as caseloads fell by more than half. Rather, it has sought to invest in such families in ways that make better sense to both families and agencies, and that promise to address the fundamental causes of individual and family dysfunction rather than merely remedying immediate income shortfalls.

Table 6
TANF Expenditure Trends (in millions)

	1996	2000
Illinois	1,196	1,031
Indiana	235	330
Iowa	198	227
Michigan	1,076	1,165
Minnesota	450	462
Ohio	1,027	1,071
Wisconsin	413	486
All	$4.6 billion	$4.8 billion

Table 5
Poverty Rates (two-year average)

	1993–1994	1996–1997	1999–2000
Illinois	13.0	11.6	10.8
Indiana	13.0	8.2	7.6
Iowa	10.5	9.6	7.3
Michigan	14.8	10.7	9.9
Minnesota	11.7	9.7	6.6
Ohio	13.6	11.8	11.1
Wisconsin	10.8	8.5	8.9
United States	14.8	13.5	11.5

The TANF spending shifts reflect emerging purposes deemed important by the WELPAN members. Despite wide differences among the member states, they hold a remarkably similar vision of what is fundamental to the future of reform. Simply helping the jobless to get a job is not the end of the story. As a nation, they believe, we must invest in the working poor, with work supports and child care. We must invest in families, since strong families lead to productive workers and productive workers are a precondition to strong families. And we need to invest in the future, to support prevention-oriented initiatives, for there is nothing more important than raising healthy children capable of being involved, productive adults. ■

Strategy and Rules for Comparing TANF/MOE and Related Expenditures across States

WELPAN members discussed in several meetings possible alternative strategies for presenting expenditures that would be comparable across time and across states. The discussion permitted members to develop a sense of how programs and their expenditures might fit into broad categorical divisions. The categories ultimately selected were Cash Payments, Child Care, Family Formation and Stability, Workforce Development, and Low-Income Tax Supports.

The general rules adopted by WELPAN are:

1. The funds to be included for federal fiscal year 2000 are TANF, Maintenance of Effort (MOE) funds, and Child Care. For 1996, they are Title IV-A and Title IV-F of the Social Security act and Child Care.
2. Expenditures are reported in the year they were expended, not the year in which they were awarded or received.
3. All child care funds, regardless of their source (TANF, Child Care and Development Block Grant, Child Care and Development Fund, state funds) are to be included.
4. No administrative costs are to be included.

Understanding Poverty

Edited by Sheldon H. Danziger and Robert H. Haveman

The chapters in this volume were originally presented at a conference held in May 2000 in Madison, Wisconsin. The conference brought together a multidisciplinary group of scholars and policy analysts to review and synthesize what we have learned about poverty in the United States and to debate the crucial issues to be anticipated in the early years of the twenty-first century.

The conference was jointly sponsored by the Institute for Research on Poverty and the Office of Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services. The Annie E. Casey Foundation, the Ford Foundation, the Russell Sage Foundation, and the Charles Stewart Mott Foundation provided additional funding.

Contents

I. Trends and Determinants of Poverty, Inequality, and Mobility

1. The Level, Trend, and Composition of Poverty
Gary Burtless and *Timothy M. Smeeding*

2. Changes in Family Structure: Implications for Poverty and Related Policy
Maria Cancian and *Deborah Reed*

3. The Rising Tide Lifts...?
Richard Freeman

4. Mobility, Persistence, and the Consequences of Poverty for Children: Child and Adult Outcomes
Mary Corcoran

5. U.S. Poverty in a Cross-National Context
Timothy M. Smeeding, Lee Rainwater, and *Gary Burtless*

II. The Evolution of Antipoverty Policies

6. The Evolution of Income Support Policy in Recent Decades
John Karl Scholz and Kara Levine

7. Welfare Policy in Transition: Redefining the Social Contract for Poor Citizen Families with Children and for Immigrants
LaDonna Pavetti

8. Health Policies for the Nonelderly Poor
John Mullahy and *Barbara L. Wolfe*

9. Investing in the Future: Reducing Poverty Through Human Capital Investments
Lynn Karoly

III. Neighborhoods, Groups, and Communities

10. Housing Discrimination and Residential Segregation as Causes of Poverty
John Yinger

11. The Memberships Theory of Poverty: The Role of Group Affiliations in Determining Socioeconomic Outcomes
Steven N. Durlauf

12. Community Revitalization, Jobs, and the Well-Being of the Inner-City Poor
Ronald F. Ferguson

IV. Concluding Thoughts

13. Politics, Race, and Poverty Research
Glenn C. Lowry

14. Poverty Research and Antipoverty Policy after the Technological Revolution
David R. Harris

15. Research on Poverty and Antipoverty Policies
Jane Waldfogel

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Redefining a case in the postreform era: Reconciling caseload with workload

Rebecca Swartz

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Since passage of the 1996 welfare legislation that created the Temporary Assistance for Needy Families (TANF) block grant, cash welfare cases have dropped 54 percent. Yet spending has remained high in most states. During the upcoming debate on TANF reauthorization, these two seemingly contradictory facts will cause many members of Congress to ask how states are spending their money. Answering this question, however, will be difficult, because the tool most policymakers use to gauge the progress of welfare reform—the cash assistance caseload—does not reflect the workload involved in implementing a successful TANF program.

The workload is not captured in the caseload because states are now providing more intensive services to those on cash assistance and a new, broad range of noncash services to low-income families. Although the federal government collects extensive data on cash assistance cases, it collects very little on the noncash services that have become a major part of most state TANF programs. A comparison of expenditures in seven midwestern states found that the states continued to invest in low-income families but reallocated their funding from cash assistance to a range of other, noncash activities—workforce development, child care, tax transfers, and family stability (see p. 11).

To fully comprehend the outcomes and impacts of TANF, one must first understand the role noncash services play in state programs as well as the change in workload associated with a work-based system. This article examines that changing workload and provides some suggestions for more effectively capturing it in a new vision of caseload. But first it is necessary to understand what data the federal government collects on families receiving services funded through TANF.

Defining a case

In an era of devolution, definitions take on heightened importance. The definition of the welfare caseload, for example, determines the type of data the U.S. Department of Health and Human Services (HHS) collects on the services states provide under the TANF block grant. The level of data, in turn, determines policymakers' ability to understand the various aspects of the TANF block grant. The next few pages examine the definition of caseload in greater detail.

The current definition of the welfare caseload is a holdover from the former welfare entitlement program, Aid to Families with Dependent Children (AFDC). The goal of AFDC, a pure income-transfer program, was to provide cash grants accurately and efficiently; little attention and less funding were devoted to employment preparation and case management. These cash grants were often the ticket to other supportive services such as food stamps and Medicaid, child care and transportation assistance, and education and training. Although families were not always required to receive AFDC first, supportive services were focused on serving those on cash welfare. As a result, the AFDC case count was a good proxy for the number of families receiving a wide range of services.

Life is not so simple under TANF. In fact, TANF is better thought of as a funding stream than as a program. Whereas AFDC funding was provided as a matching grant, in which the federal dollar matched state spending, TANF is a block grant that provides states with a set amount as long as they maintain their own funding for services to needy families at 75–80 percent of their historical spending on AFDC (this is known as "maintenance of effort," MOE).[1] Unlike AFDC, which set strict rules and regulations, states now have wide latitude to fund a range of programs and services within the framework of the four purposes of TANF—(1) providing assistance to families with children, (2) ending dependency on welfare through increased work, (3) reducing out-of-wedlock pregnancies, and (4) encouraging the formation of two-parent families (see p. 3).

The first two purposes of TANF are the most reminiscent of AFDC. Both lay the groundwork for state cash assistance programs focused on work and family stability and both refer to "needy families," a term that is left to states to define but is generally considered to be families with incomes under 200 percent of the federal poverty level. The third and fourth purposes, however, are fairly broad statements giving states extensive latitude to spend TANF funds on a range of services potentially targeted to the broader public.

Despite these wider goals, the federal definition of a TANF case, on which most data reporting requirements are based, is primarily limited to cases receiving cash grants. HHS makes two primary distinctions in determining the official TANF caseload: whether a case receives

"assistance" or "nonassistance" and whether the services provided to those cases are funded with TANF funds or with MOE funds through a separate state program.

Assistance families are those that receive benefits to meet their basic needs (i.e., for food, clothing, shelter, utilities, household goods, and general incidental expenses) most often in the form of cash assistance; they also include those that receive supportive services such as transportation and child care while unemployed.[2] Most assistance cases look like AFDC cases did before 1996; they are one-parent, two-parent, and child-only cases who receive a continuing monthly cash grant.

Assistance cases funded with the TANF block grant are subject to federal eligibility restrictions, time limits, work and participation requirements, child support assignment requirements, and TANF data collection requirements. As under AFDC, states must report disaggregated data on a quarterly basis for each case, adult, and child receiving TANF-funded assistance, as well as for each case, adult, and child transitioning off or applying for such assistance.

In most instances, states must also report disaggregated data on assistance cases funded with state MOE funds. States can use MOE funds in three different ways: commingled with federal TANF funds, segregated, or in a separate state program entirely. Commingled funds have the same eligibility, work, and data reporting requirements as pure TANF funds. Segregated funds allow states to exempt portions of their assistance cases from TANF requirements. In October 1999, 15 states were providing assistance to some families with segregated state funds.[3] Assistance cases funded with both commingled and segregated funds are included in the TANF assistance caseload and work participation rate calculation, and are subject to TANF data reporting requirements.

States may set up separate state programs (SSP) to avoid TANF eligibility and participation requirements such as the high work participation rates for two-parent families. States with SSPs have two data reporting options. Under option one, the state can choose to provide disaggregated data similar to the data provided for TANF assistance cases, but in a separate caseload report. All of the 23 states with SSPs have chosen this option because providing such data qualifies the state for federal TANF performance bonuses and caseload reduction credits. The second option allows states to provide only the limited aggregate data required of all services provided with MOE funds.

HHS requires states to report some information on *all* services provided with MOE funds, both assistance and nonassistance. The catchall phrase for any service that does not fall into the assistance category is "nonassistance," an unfortunate term which implies that services not provided as cash do not assist the families receiving them. For this reason, I use the term "noncash" services. Such services can range from child care subsidies for working families to postemployment case management to home visiting for first-time parents to a billboard campaign to reduce teenage pregnancy.

The MOE data provided by states are very basic. States must provide total expenditures, the total amount of MOE claimed, and the estimated total number of families served; no disaggregated data are required. No such caseload data, however, are currently collected for noncash services provided under the TANF block grant; for these, the federal government requires only fiscal data. These TANF funds are likely to provide the bulk of funding for the third and fourth TANF purposes, those relating to out-of-wedlock pregnancy and two-parent families, because MOE funds are restricted to families and individuals who are financially needy.

To better understand the complexities of these data, the box on pp. 18–19 examines caseload counts in three states—Florida, Minnesota, and Wisconsin.

The caseload doesn't match the workload

Although the definition of caseload has not changed much since the implementation of TANF, state practices have changed considerably. States are providing more intensive services to those on cash assistance and are providing a range of noncash services to low-income families. This section explores these new developments by drawing on the experiences in Florida, Minnesota, and Wisconsin.

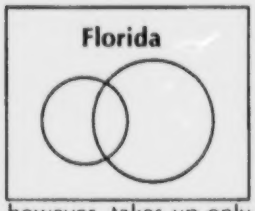
Intensive services to those on cash assistance

Although the cash assistance caseload has declined 54 percent since 1996, there has been no corresponding decline in the workload of state welfare agencies because TANF has changed the way states address their cash cases. Under AFDC, successful states had very low administrative costs, for two reasons. First, processing applications was efficient, because the process was based almost exclusively on financial criteria and because applications for multiple programs, such as food stamps and Medicaid, could be taken at one time. Second, clients, once eligible, had minimal contact with their caseworkers apart from the six-month eligibility review. Under TANF, caseworkers play a widely expanded role with increased authority and significant discretion. With these new duties comes more work. The workload is higher than under AFDC for three main reasons: work requirements, earned income, and churning.

Work requirements. Roughly half of all AFDC clients nationwide were exempt from that program's work component, the Jobs Opportunity and Basic Skills Training

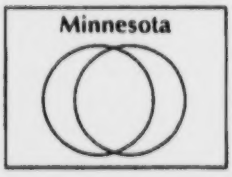
A Comparison of Three States

To better understand the consequences of the current definition of caseload, we examine the caseloads in three states, Florida, Minnesota, and Wisconsin. From 1996 to 2001, while the national caseload declined 54 percent, the cash welfare caseloads in Florida and Wisconsin declined by almost 75 percent, and in Minnesota by a more modest 35 percent. Yet the official TANF caseload can differ from the states' own definition of their caseload, as is especially true in Wisconsin. In addition, all three states spend significant funding on nonassistance services that are generally not captured in any official caseload. To illustrate this, the diagrams in this box depict state spending on "assistance" in black, on "nonassistance" in white, and the estimated overlap in caseloads in gray.



Florida is a low-benefit state ($303 for a family of three) with a work-first philosophy, a 48-month lifetime limit, and 24- or 36-consecutive-month time limits in some circumstances. Families thus leave assistance relatively quickly, despite the state's generous earned income disregard of the first $200 of earned income and 50 percent of the remainder. The Work and Gain Economic Self-Sufficiency (WAGES) program is the principal TANF assistance program. The state uses primarily commingled MOE funds to cover the costs of cash assistance so that it can reserve the more flexible TANF funds to cover its noncash services. Cash assistance, however, takes up only 35 percent of the state's overall spending. The rest is focused on noncash services like child care, work activities, support services, and expanded services to families. State officials estimate that few of the families receiving noncash services are also receiving cash assistance.

The HHS TANF assistance caseload for Florida in June 2001 (56,079) differs from the state's assistance caseload numbers (57,169) in three main ways. First, Florida has continued to fund portions of its foster care and adoption assistance programs with TANF as it did with AFDC, and these cases are counted in the TANF assistance cases even though they are not part of the WAGES program. Second, the TANF caseload also includes a small number of child-care-only cases in which the parent is not working. Third, Florida has a separate state program for its two-parent families receiving assistance. This last group accounts for about 2,200 cases.



Minnesota is a high-benefit state ($532 for a family of three). The goal of the Minnesota Family Investment Program (MFIP), the state's principal TANF assistance program, is to move families off welfare and out of poverty. MFIP allows families to continue receiving benefits until their income reaches 120 percent of poverty. Because of generous earned income disregards, families in Minnesota stay on cash assistance longer than similar families in other states. Minnesota dedicates about 50 percent of TANF and MOE funding for assistance cases and state officials estimate that most of the families receiving "nonassistance" services are also receiving cash assistance. Minnesota's few noncash separate state programs are generally small in scope and serve relatively few families.

Program (JOBS). Moreover, many nonexempt clients were ultimately not required to participate because there was not enough funding. As a result, just 16 percent of the AFDC caseload participated in JOBS in 1995.[4]

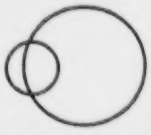
By 2000, the number of TANF cases participating in work and training activities had increased to 42 percent. The increase is due in part to the 60-month time limit and the work participation rate requirements, which are tied to receipt of TANF block grants and rise incrementally over time.[5] In addition, TANF's funding and flexibility allows states to provide the more intensive services and case management that goes with increased work requirements.

Wisconsin's work and participation rate of 87 percent is more than twice the national average, in large part because Wisconsin subscribes to the philosophy of full engagement. The first ingredient of full engagement is working with *all* families receiving cash assistance. Whereas the JOBS program allowed states to "skim the cream" by working with the most employable AFDC recipients, Wisconsin exempts only parents caring for a child under 12 weeks of age from participating in appropriate activities. "Engagement," the second ingredient, requires local agencies to work closely with W-2 participants and their families to identify and attempt to resolve issues preventing the parent from gaining and maintaining employment. As such, the caseworker-to-participant ratio has declined from 350 cash cases (under AFDC) to not more than 55, and caseworkers who work with especially challenged participants have even fewer cases.

Earned income. AFDC allowed recipients to combine work with cash assistance by "disregarding" or not counting a portion of monthly earned income when determining the family's welfare check. Although it is more difficult to calculate disregards when earnings fluc-

The HHS TANF assistance caseload for Minnesota in June 2001 (39,236) differs more from the state's assistance caseload numbers (42,000) than does Florida's. Minnesota currently has three rather small separate state programs for assistance cases—some minor teen parents, caretakers over age 60, and certain categories of legal immigrants. As of October 2001, Minnesota has a separate state program for its two-parent families, which account for about 5,500 cases in the state. Although by state law child-only assistance cases (roughly 8,400 cases) are not part of the MFIP program, state officials generally include these cases in the MFIP caseload counts when talking to the media.

Wisconsin



Wisconsin is also a high-benefit state, but its policies are more closely aligned with Florida's than with Minnesota's. The Wisconsin Works (W-2) program is the state's principal TANF assistance program. W-2 has strong work requirements with few exemptions, and provides flat grants (either $673 or $628 depending on the individual's placement). Relatively few families (roughly 260 in 2001) combine work with their welfare benefit. Instead, the state provides a range of supportive services to help make work pay. Wisconsin dedicates just 13 percent of its total funding to cash assistance. The vast majority of families receiving noncash services do not also receive cash assistance.

The HHS TANF assistance caseload for Wisconsin in June 2001 (18,107) differs significantly from the state's assistance caseload numbers (11,426). Wisconsin provides cash assistance through a separate state program to two small subgroups: cases headed by an individual applying for Supplemental Security Income (SSI) and qualified legal immigrant noncitizens. The official state W-2 caseload figures include these two subgroups, and others that do not fit the federal definition of assistance. The two largest of these are families receiving W-2 case management only (3,922) and parents caring for a newborn, who receive only short-term assistance (1,099).

Whereas these cases are included in the state's caseload figures, the 11,672 child-only cases are not. Wisconsin created two new programs to serve the former child-only AFDC cases that did not fit into the W-2 work philosophy. The Caretaker-Supplement program serves children whose parent(s) receive SSI and the Kinship Care program serves children living with non-legally-responsible relatives such as a grandmother or aunt.

Source: These data come from U.S. Department of Health and Human Services, Administration for Children and Families, *Fiscal Year 2000 Annual Report to Congress on the Temporary Assistance for Needy Families Program*, Washington, DC, Table F.

tuate than to provide a standard grant to all recipients, only 10 percent of the women on AFDC were working in 1995. The work rate under TANF is significantly higher—28 percent of all cash assistance recipients.[6] Moreover, with the exception of Wisconsin, all states currently have earned income disregards, most of which are more generous than the AFDC disregards.

Minnesota, for example, has a large earned income disregard. The state combines the cash grant with the family's Food Stamp benefits and families continue to receive at least part of their combined grant until their income reaches 120 percent of the federal poverty level. Roughly 35 percent of the caseload in Minnesota is working and can therefore take advantage of this disregard policy. For these families, the caseworker must collect earnings data on a regular basis to determine the benefit amount; this has substantially increased the agency workload.

Short stays and churning. With the traditional cash caseload, most of the workload is associated with entries and exits from assistance. For each entry, the caseworker must determine eligibility, which requires extensive checks using both financial and nonfinancial criteria. Under AFDC, women's episodes of assistance were relatively long, averaging 24 months, although families did cycle on and off assistance (roughly 45 percent of former recipients returned to AFDC within one year of leaving).[7]

With the introduction under TANF of time limits, work requirements, and more supportive services for working families, the average length of stay is shrinking as cycling continues, although at a slower pace than under AFDC.[8] Some feel that the continuation of cycling, or churning, indicates failure, but others argue that it may be a necessary part of a longer-term process as parents gain progressively more experience in the workforce and use TANF the way it was intended, as a temporary source of income when a crisis arises. Regardless of one's opinion on churning, these entries and exits from assistance increase the agency workload. Yet this workload is not captured in a point-in-time cash case count.

In Florida, for example (Table 1), the "caseload decline" of 126,000 families from 1996 to 2001 gives a wholly misleading picture. During that five-year period, over 400,000 families actually left assistance, because almost 300,000 families were briefly on welfare and hence were part of the caseload. The most common length of stay in Florida is just one month. Therefore, in any given month,

Table 1
Florida Welfare Reform Mathematics

	Adults
October 1996	150,533
Added after October 1996	+291,216
Left cash assistance before June 2001	-417,648
Remaining as of June 2001	24,101
Unduplicated count	*441,749*

Source: Florida Department of Children and Families.

one-third of cases opens, one-third closes, and one-third continues to receive assistance. Florida may be an extreme example, but it does demonstrate how misleading point-in-time case counts can be.

Noncash services

Since the implementation of TANF, state spending on cash assistance has declined while state spending on noncash services has increased. These noncash services range from work supports targeted to welfare leavers to broad-based prevention efforts. But very little is known about this large portion of state spending because federal data reporting requirements are focused almost exclusively on cash cases.

Work supports. Many states have invested heavily in supports for low-income working families. Such TANF-funded supports can include child care, postemployment education and training, job coaching, general case management, transportation assistance, and housing assistance. AFDC provided some of these same supports, but they were usually tied to receiving cash assistance. Eligible families were either on welfare, transitioning off welfare, or at risk of needing welfare. The link to welfare cash assistance is not necessary under TANF. Instead, states have the ability to set different eligibility criteria for different programs and services.

In some states, the families receiving supportive services continue to be the same families receiving cash assistance, whereas other states target supportive services to families outside the cash caseload. Minnesota and Wisconsin provide two such divergent examples. Although Minnesota dedicates 50 percent of its TANF spending to services other than cash, the majority of families receiving those services are also receiving cash, according to state officials.

In contrast, Wisconsin funds a host of overlapping employment services designed to help different groups of the low-income population, most of whom are working and only a fraction of whom are receiving cash assistance. Wisconsin has tried to make these supportive services more attractive to working parents by taking steps to disassociate them from the cash assistance program. For example, the state's child care program is called Wisconsin Shares, not W-2 child care, and the state's health insurance program for working families is called BadgerCare.

Beyond work supports. In addition to traditional work supports, states fund a range of activities with their TANF and MOE allocations. Unlike AFDC, which required extensive means testing for all its services, TANF allows states to provide services to families with incomes below 200 percent of poverty and beyond. In fact, the third and fourth purposes of TANF—reducing out-of-wedlock pregnancies and encouraging the formation of two-parent families—are not restricted to needy families.

Some activities have a specific client base, for example, a substance abuse treatment program. Other activities do not. A billboard campaign to reduce teen pregnancy may be a very effective way of getting a message out, for example, but it is impossible to count the number of teens who see the billboard. TANF funding is also used in concert with other funding sources to expand existing programs to new groups of clients. With multiple funding streams, it can be difficult to determine where to count the clients served.

In Florida, as in Wisconsin, the majority of funding is spent on noncash services. Florida's services that go beyond work supports include programs for families at risk of abuse and neglect, home visits for newborn children, services for parents at risk of substance abuse or mental illness, and support for domestic violence shelters. Some, but not all, of the families receiving these services also participate in Florida's work-first program. Because Florida uses the TANF block grant rather than MOE funds to pay for most of these services, the state does not have to provide data on the noncash cases served.

Redefining "caseload"

Given the new workload associated with TANF, the tool by which we measure the program's success—the cash assistance caseload—is incomplete. An overhaul of the definition of caseload has been slow to start for at least four reasons. First, the cash caseload is easy to count; states collect extensive data for eligibility determination. Second, the public already understands the definition of cash caseload, since it is a holdover from AFDC. Third, continuing AFDC's definition of caseload makes historical comparisons possible. Fourth, coming up with a new definition of caseload is hard.

Redefining caseload to describe the full workload is difficult in part because not all the state workload can be captured in a case count. The time caseworkers dedicate to their cash cases and the changes in culture taking place

in welfare offices across the country are not easily quantified.

Many of the work supports and other noncash services can be captured in a caseload count. The challenge here, however, is determining how to get enough information, particularly for short-term services, without becoming overintrusive or creating an undue burden on states and their subcontractors. Many of the noncash services are provided by small community-based groups, like domestic violence shelters, or by faith-based organizations, agencies that may lack the size or skill to undertake extensive data reporting. The most important consideration, though, is that low-income families are not overburdened by information requirements that discourage those in need from using the available services.

Extending the current data requirement for MOE spending to TANF seems like a reasonable start to redefining the caseload. Although some of these families would be duplicated with the assistance caseload, estimates of the number of families served would be a useful first step toward understanding the new workload. In the future, unduplicated counts may be available for ongoing work supports such as child care, postemployment education and training, and general case management. States are likely to keep data on these services already, especially child care. For noncash services without strict financial eligibility, such as a community literacy program, aggregate information about the number of families served may be enough. In fact, HHS could attach different data reporting requirements to different types of cases.

The first step in redefining caseload is eliminating the term "nonassistance." In many states, nonassistance covers services essential to keeping parents in the workforce yet, as already implied, it is hard to rally support for an increase in "nonassistance." Dividing services into cash assistance and noncash services seems more appropriate.

Conclusion

In part because researchers, both in government and out, have held tight to the old definition of a "case" despite the expanded the scope of welfare created by TANF in 1996, we are missing the larger story of the 1996 welfare reform legislation.

One of the most powerful lessons of welfare reform is the importance of signals. Continuing to judge the success of a broad program by a small sliver of those served signals that the expanded role states have embraced is unimportant. It also sends a potentially dangerous message to those holding the purse strings—that the decline in cash assistance cases means a decline in workload, and therefore a decline in funding needs. After six years, it is time to stop referencing TANF as the program that replaced AFDC and start referring to AFDC as the program prior to TANF. ■

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[1]To receive federal block grant funds, states are required to maintain funding for qualified program expenditures at a level equivalent to at least 80 percent of the state share of AFDC expenditures in federal Fiscal Year 1994. If the state meets the work participation rate requirements, the MOE requirement drops to 75 percent. In the first four years of operation, all states met their MOE requirements.

[2]Financial help is not considered assistance if it lasts for less than four months; is received in the form of a work subsidy to the employer; is a refundable earned income tax credit; or is an Individual Development Account.

[3]Illinois, for example, uses segregated state funds to "stop the clock" for working parents receiving cash assistance. Under this policy, single-parent TANF families working 30 hours per week and two-parent families working 35 hours per week receive a cash grant without losing a month of TANF eligibility on their 60-month federal lifetime limit. See State Policy Documentation Project World Wide Web site at http://www.spdp.org/tanf/separate_state_programs/ssp_findings.htm October 19, 2001.

[4]S. Bell and T. Douglas, *Making Sure of Where We Started: State Employment and Training Systems for Welfare Recipients on the Eve of Federal Reform*, Occasional Paper 37, Urban Institute, Washington, DC, April 2000.

[5]U.S. Department of Health and Human Services, *Fiscal Year 2000 Annual Report to Congress on the Temporary Assistance for Needy Families Program*, Administration for Children and Families, Washington, DC.

[6]U.S. Department of Health and Human Services, *Fiscal Year 1996 Annual Report to Congress on the Aid to Families with Dependent Children Program*, Administration for Children and Families, Washington, DC. < http://www.acf.dhhs.gov/programs/ofa/cfc_fy96.htm >; *Fiscal Year 2000 Annual Report*.

[7]U.S. House of Representatives, Committee on Ways and Means, *2000 Green Book*, Washington, DC, p. 448.

[8]The rate of TANF cash assistance cycling varies by state. According to an HHS report which looked at survey data from only four states, the proportion that ever returned for at least one month over the first 12 months after exit ranged from 23 to 35 percent; J. Isaacs and M. Lyon, "Cross-State Examination of Families Leaving Welfare: Findings from the ASPE-Funded Leavers Studies," Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, Washington, DC, November 6, 2000. An Urban Institute report found that 21.9 percent of those who left welfare between 1997 and 1999 returned, as did 29.1 percent of those who left welfare between 1995 and 1997; P. Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers*, New Federalism: National Survey of America's Families, Report B-36, Urban Institute, Washington, DC, 2001.

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Welfare reform and recession: Can the states handle both?

Howard Chernick and Andrew Reschovsky

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The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 marked a fundamental change in the role state governments play in the financial support of their low-income residents. Under the old welfare system, Aid to Families with Dependent Children (AFDC), all families meeting certain eligibility criteria were *entitled* to cash payments that were jointly financed by the states and the federal governments through a system of matching grants. Thus a portion of every dollar that a state government paid to a low-income family came directly from the federal government. The new welfare system, Temporary Assistance for Needy Families (TANF), ended federal entitlement to welfare payments, shifted the responsibility for ensuring the well-being of low-income families to state governments, and limited the role of the federal government to providing each state with a fixed amount of money in the form of a block grant and imposing certain restrictions on eligibility for cash transfers.

The dramatic reduction in state public assistance caseloads since their peak in 1994 (nationally, by 57 percent) reflects both a strong economy and changes in incentives and state policies.[1] Because the amount of each state's TANF block grant allocation has remained largely unchanged since 1996, the falling caseloads have freed up funds for other programs, some designed to assist low-income families, such as child care, housing assistance, and job training, and others less targeted to the needy.

But in much the same way as the federal budgetary situation has shifted very rapidly from large surpluses to projected deficits, state governments' fiscal outlooks have also changed dramatically for the worse during 2001. Revenue collections are lower that anticipated in 44 states.[2] Unlike the federal government, state governments are required to operate with balanced budgets. The slowing economy throughout 2001 and especially since September 11 has forced nearly all states to reduce their revenue forecasts and to begin considering steps to prevent budget deficits during the current fiscal year.

This article addresses two questions. First, in periods of recession or slow economic growth, will state governments be *able* to meet the needs of their low-income residents for public assistance? Recessions lead to job losses and make it increasingly difficult for those without jobs, especially those with little experience and education, to find new jobs. Thus, a slowing economy not only reduces state tax revenue, but also increases the need for fiscal assistance for low-income state residents.

Second, will states be *willing* to devote adequate resources to programs that provide either cash assistance or social services to their needy populations? In periods of fiscal stress, can we predict whether state governments will place a high priority on preventing holes in their "social safety nets" or will choose instead to satisfy other claims on state resources?

The economic slowdown and state fiscal health

Predicting the impact of recessions on state tax revenues is notoriously difficult. Simple rules which suggest that tax revenues are more sensitive to economic performance in states that rely more heavily on personal and corporate income taxes than on sales and excise taxes often lead to incorrect predictions. In a state that excludes most necessities from its sales tax base, the sales tax may be highly sensitive to economic fluctuations, whereas in a state with a flat-rate income tax that excludes capital gains, income tax revenue may be fairly stable during an economic downturn.

Predicting the magnitude of budget deficits in individual states is also complicated by factors affecting single states or regions of the country. Despite the promise of substantial amounts of federal aid, New York State's fiscal situation will be deeply affected by the terrorist attacks on the World Trade Center. California may face a budget deficit of nearly $10 billion next year if agreement cannot be reached on the long-run financing of energy purchases during the state's electrical energy crisis.

In past recessions we have observed a great deal of variation in the fiscal responses of state governments.[3] In general, state governments tend to respond to mild economic slowdowns by cutting state government spending; currently, political leaders in many states are pointing to spending cuts, not tax increases, as a solution.[4] Only

when revenue declines become more severe do states consider tax increases.

Two important factors in predicting whether the current economic slowdown will result in cuts in spending on social welfare programs are the existence of state "rainy day" or stabilization funds, and substantial balances of unobligated TANF funds.

Rainy day funds

Although 45 states have budget stabilization funds, for over three-quarters of the states these funds would be inadequate to prevent significant cuts in state programs or substantial tax increases if the United States were to face a recession like the mild recession of the early 1990s.[5]

The aggregate amount of money in state budget stabilization funds declined from $28.8 billion in fiscal year (FY) 2000 to $22.6 billion in FY 2002. This amount is only about 3 percent of the $750 billion in revenue that states are estimated to raise in FY 2002.[6] In FY 2001, the average stabilization fund per capita was $95, but there were large differences across the states; 7 states had fund balances under $2 per capita and 13 states had balances that exceeded $100 per capita.[7]

Unobligated TANF funds

The 1996 welfare reform legislation included a provision that the unspent portion of each state's annual TANF allocation would be held by the federal government in a special fund that each state could access in future years. One way in which state governments can ensure that they have more TANF funds to spend if an economic downturn significantly increases the need is to treat unspent TANF funds as a "rainy day" fund; the actual funds remain with the federal treasury until they are needed. At the end of the first half of federal FY 2001, there were $8.3 billion dollars of unspent TANF funds for all 50 states plus the District of Columbia, equal to 11 percent of total TANF grants from the beginning of the program, and 48 percent of the FY 2001 TANF allocation.[8]

One measure of the ability of states to continue to provide fiscal assistance and services to their low-income populations in an economic downturn is the sum of their general purpose budget stabilization fund and their unspent TANF balances. On the whole, states with large unspent TANF balances also tend to have large stabilization fund balances. In fiscal year 2001, the per capita value of the sum of the two funds ranged from $2.40 in Oregon to $279 in Massachusetts.[9] Among the seven states with the largest number of TANF recipients (55 percent of the nationwide total), Texas and Illinois have total per capita balances in the two funds of under $20, New York has a below-average balance of $104, and California, Ohio, Pennsylvania, and Michigan have above-average per capita balances.

Will demand for assistance rise?

There seems little doubt that a recession will limit the employment opportunities available to recent welfare recipients, although we do not know how much employment will decline.[10] The fiscal impact of rising unemployment rates and falling incomes depends in part on how many newly unemployed workers will qualify for unemployment insurance (UI), and the extent to which unemployment benefits replace lost wages.

During past recessions, insufficient work experience, low levels of earnings, and unavailability for full-time work because of family responsibilities disqualified most low-income workers from eligibility for UI. During the next (or current) recession, eligibility for UI among low-income workers should be higher than in the past, but it appears unlikely that more than 40 percent of all unemployed former welfare recipients will receive unemployment compensation.[11] Moreover, the UI replacement rate for lost wages is now quite low, averaging only 33.1 percent in 1999.[12]

TANF funds have been used by many states for child care, child welfare services, job training, health care, transportation, and housing for the working poor. Although estimates are hard to make, it is likely that the financial costs of serving the existing population of eligibles will rise unless these programs are eliminated or curtailed, because lower incomes will increase the required state contribution. The overall fiscal effect, however, also depends on the change in the number of individuals eligible for noncash assistance. For example, if eligibility for subsidized child care is linked to employment, the loss of jobs may actually reduce eligibility and demand for child care.

How are state governments likely to respond to these increased demands?

State government fiscal responses to increased needs

One of the major advantages of the pre-1996 system of matching grants for AFDC was that federal payments to the states automatically increased if more people became eligible for cash assistance. Matching grants also reduced the *tax price* of welfare spending relative to other forms of state spending. Thus one dollar of increased spending on a state university generally cost state taxpayers a full dollar, whereas one dollar of increased spending on welfare cost less than one dollar of state tax revenues.

The conversion of federal spending on cash assistance into block grants requires that state governments bear a much greater share of the incremental costs of maintaining an economic and social safety net for their citizens.

State governments must now bear 100 percent of the additional costs of running the TANF program in a recession, although the federal government continues to finance 100 percent of the cost of the Food Stamp Program and partially finances health care and housing assistance to the needy.

How state governments respond to this changed fiscal environment depends on the severity of any recession and the extent to which program eligibility increases. Typically, the full effects of an increase in the unemployment rate do not show up in welfare caseloads until at least two years after an initial increase in unemployment. Hence, the duration of any recession is crucial to estimating the increased spending needs of states.

Estimates in two studies suggest that a one-point increase in the unemployment rate would increase TANF caseloads by 4 to 6 percent. Another study finds that three years into a downturn marked by a rise of 1 percent in the unemployment rate, annual welfare expenditures would have increased by 4.75 percent.[13] The similarity of the caseload and expenditure estimates suggests that, by and large, in past recessions states have not chosen to respond to higher caseloads by reducing benefit levels. In other words, state welfare spending is countercyclical, rising during recessions.[14]

There is, however, considerable variation across states. For example, in the last recession, both California and Michigan cut their benefit levels substantially. California had a big caseload increase (37 percent) whereas Michigan's caseload was largely unchanged. New York and Texas mirrored the national trend, in that both had big caseload increases, but did not change their benefit levels. The change in a state's caseload is not solely a function of a state's economy, but also depends on politics. States with Democratic governors have significantly higher caseloads than states with Republican governors, suggesting that in a downturn some states may erect higher barriers to qualifying for assistance than other states do.[15]

Previous estimates of the unemployment-caseload linkage suggest that it would take a substantial and prolonged recession to raise public assistance costs substantially. A sustained increase in unemployment of 2 percentage points would lead to an 8–12 percent increase in annual TANF-related state social welfare expenditures (about $1 billion per year, at current levels) and a 7.8 percent increase in Medicaid enrollment (about $2.3 billion per year in state Medicaid expenditures).[16]

The unemployment rate rose from a low of 3.9 percent in October 2000 to 5.7 percent in November 2001. Given the size of the TANF surplus, these estimates suggest that even if the unemployment rate were to rise to 6.5 percent, or perhaps even as high as 7.5 percent, and remain at that level for three years, the extra costs of providing cash and Medicaid benefits may not overwhelm state treasuries, at least in states with large rainy day and unspent TANF balances.

The TANF legislation established a special contingency fund of $2 billion, to be allocated to states in dire economic circumstances. This expired in September 2001, but its usefulness is unclear, because the rules for the contingency fund required that to qualify for payments, a state's welfare spending must equal 100 percent of its 1994 levels. If the contingency fund were to be reauthorized under the same rules, states would have to increase their outlays on TANF-eligible families by close to one-third to receive money from it. But many states are currently spending at or close to the minimum level mandated by the federal regulation which requires them to maintain a level of spending on social welfare that is at least 75 percent of pre-TANF expenditures (this is known as the maintenance of effort [MOE] provision). Thus to gain access to the TANF contingency fund, which would only be available on a matching basis, states would actually have to spend over 100 percent of their MOE level.

Uncertainty in estimates

There is much more uncertainty than in the past about the increase in fiscal needs which might attend the next recession. The small estimated effects of the unemployment rate on caseloads imply that the robust economy can explain only a small portion of the rapid decline in caseloads from 1996 to the present.[17] If state policies have played an important role in the decline, then one unknown is the extent to which states will reverse their policies, and admit or readmit to the TANF caseload families that might have been diverted or removed in the late 1990s. A second unknown is the level of support states will choose to offer those recipients who have exhausted their TANF eligibility but still need assistance. Furthermore, the flexibility of the block grant and the caseload decline have allowed states to reallocate funds from direct cash assistance to social services. It may prove politically difficult to reduce these social service expenditures in order to free up funds to finance cash assistance for newly eligible recipients.

Changes in Medicaid costs are also more uncertain than in the past. Medicaid enrollment has declined, but total spending has been growing rapidly because of rising medical costs, putting additional fiscal pressure on states.[18] Given that states are more likely to trade off expenditures within the social service budget than between social services and other state spending, rising Medicaid outlays could have a significant crowd-out effect on cash assistance.[19]

The potential increase in Medicaid caseloads depends not only on the economy, but also on current participation in Medicaid, which declined after PRWORA decoupled eli-

gibility for cash assistance and Medicaid. If an increase in welfare receipt brings with it an increase in Medicaid participation, than the growth in overall state Medicaid costs is likely to be greater than previously estimated.[20]

State fiscal incentives

Under AFDC, the state share of the total cost of assistance varied from 13 to 50 percent; in the average state it was 40 percent. With the enactment of TANF and the replacement of matching aid with a block grant, this cost (call it the "marginal price of assistance") increased from an average of 40 cents to a full dollar.

What effect will this increase in the marginal price of cash assistance have on state willingness to provide benefits to those newly eligible? Economic theory predicts that a block grant of equal magnitude to the grant that a state receives under a matching regime should lead the state to reduce spending on cash assistance. The size of the cuts has, however, been the subject of some debate. The latest studies suggest that states will be unwilling to cut benefits very much, even if faced with a substantial increase in caseloads. But we would also expect that any benefit cut that does occur is most likely to happen during a recession, when fiscal pressures are heightened.[21]

Another way of examining this issue is to consider the per capita cost to a state of raising benefits by one dollar for all welfare recipients; we might call this the "marginal cost of benefits." Our estimates suggest that in 1996 an increase of $100 in the cash benefit for each welfare recipient would have required, on average, a $3.07 per capita increase in state welfare funding. But after 1996, the marginal cost of increasing welfare benefits by $100 per recipient rose by $1.84 per capita, a 60 percent increase.[22]

The increase in the marginal cost of welfare benefits leads one to expect that state governments would respond by reducing benefit levels. In fact, between 1996 and 2000, 20 states increased and 3 states decreased their maximum TANF benefit levels; in the remaining states, benefit levels remained unchanged.[23] Thus, although the value of benefits in many states has been eroded by inflation, the sharp drop in benefit levels (known as the "race to the bottom") that some predicted has not occurred. However, the real test of whether states will resist the incentive to lower benefit levels will come if and when there is a significant increase in welfare caseloads.

Maintenance of Effort (MOE) requirements

The federal MOE requirements are but one example of the many and complicated incentives built into the TANF law. If states fail to meet these requirements, they lose TANF funds dollar-for-dollar, and must make up for the spending deficit by the next fiscal year. If state spending is increasing over time because of rising population and income, then the MOE becomes a smaller and smaller percentage of what states would have spent anyway, and it has a diminishing effect on state budgeting decisions.

Because of the sharp and continuous drop in caseloads from 1996 to 2001, however, the MOE requirement has become increasingly important. If states had kept their benefit levels per recipient the same as they were from 1992 to 1994, and paid the same share of benefits as they did under the AFDC matching rate regime, they would now be spending only 38 percent of what they spent in 1994—at least 37 percent below the MOE requirement.

How have states responded to this increasingly tight constraint on their fiscal decisions? An initial response was to spend state dollars first, "banking" unused TANF funds for future spending without penalty. This, coupled with the uncertainty over what actually constituted allowed TANF expenditures, explains why initially many states built up large TANF balances. The latest data indicate that most states are now fully obligating their annual TANF allocation, and that a few states have begun to draw down past balances.[24]

In FY 2000, 22 states spent just enough to satisfy the MOE requirement, and many other states were only a few percentage points above.[25] Since states determine TANF eligibility through their choice of the need and payment standards, state policy actually helps to determine whether state spending can count toward the MOE requirement. If states tighten their TANF eligibility standards too severely, causing the caseload to decline very rapidly, then they must put more and more funds into social services to meet the MOE requirement.

The MOE requirement was included to limit the opportunity for fiscal substitution by the states. Substitution could happen in a couple of ways. If states were to cut their benefit levels, or not raise them as fast as they would have under the matching grant, federal funds would gradually wind up providing a higher share of total cash assistance than under the AFDC program. States could also use TANF funds for other social services and allow their own contributions to these services to erode.

New York state provides an example of both kinds of fiscal substitution. In fiscal year 1998, the state used $200 million of TANF funds to replace state funds for cash assistance.[26] New York also chose to put a portion of its TANF funds into child care and the state Earned Income Tax Credit, and at least some of these funds probably substituted for the state's own spending on these programs.

It is clear that states have reallocated substantial amounts of funds from cash assistance to services to recipients and the working poor. This shift clearly reflects the general reorientation of the welfare system toward work, and the provision of services to support work, as well as the

constraints of the MOE requirements. In some states, the allocation of surplus block grant funds from cash to services has become part of the baseline of funding for these services. In general, states have become quite dependent on the TANF surplus to fund the increase in social services.

Should the surplus diminish as caseloads increase, states will face an unpleasant fiscal choice between cash assistance and social services. States that have allocated substantial portions of their own funds to social services for TANF-eligible recipients may find it difficult to withdraw those funds in order to provide cash benefits to newly eligible TANF recipients.

Conclusions and recommendations for reauthorization

In this article, we have explored the question of whether state governments, when facing an economic slowdown, will be willing and able to meet the rising needs of their low-income residents for cash public assistance and for various social services. It is difficult to predict the magnitude of the increase in costs that states will face in order to maintain services for their low-income populations. In large part, predictions depend on answers to four questions:

- What impact will an economic slowdown have on the unemployment rate of low-income, low-skill workers—will a large number of former welfare clients face unemployment?
- What proportion of the newly unemployed workers will be covered by unemployment compensation, for how long, and what share of their after-tax wages will be covered?
- By how much will rising unemployment and falling incomes increase Medicaid eligibility and state government costs?
- To what extent will falling incomes lead to increases in state government costs for subsidized social services, such as child care?

Our tentative conclusion is that, on average, states should be able to weather the expected decline in state tax revenues and increases in costs without having substantially to reduce the access of their low-income residents to public assistance. This conclusion is based in part on the existence in many states of relatively large balances of unspent TANF funds, and in some cases, general-purpose rainy day funds. We emphasize, however, that the effects of an economic recession will vary substantially across states. Some states have small rainy day fund balances and are likely to face large increases in the demand for cash assistance and social services.

There is certainly no guarantee that even states in relatively strong fiscal health will choose to meet the rising demands of their low-income populations. The behavior of states during recessions in the 1980s and early 1990s provides little help in predicting how states will behave in future recessions, because the 1996 welfare reform has so fundamentally changed the "rules of the game." Likewise, the welfare-related decisions states have made since 1996 provide us with limited information about how they will behave during a recession. The combination of a fixed block grant, a very strong economy, large drops in welfare caseloads, and quite stringent MOE provisions made it possible for most states to expand programs directed toward their low-income populations, but they may not choose to maintain existing levels of fiscal support in the absence of rapid economic growth.

In light of our discussion, we offer the following suggestions to be considered in the reauthorization debate.

Capacity to build TANF rainy day balances

The interaction of four unrelated events has created a large, unanticipated fiscal cushion of unspent TANF balances that should forestall large cuts in public assistance to the neediest state residents:

- To gain sufficient political support for the passage of PRWORA, the block grants to states were set at levels equal to federal AFDC allocations in the early 1990s, a period with relatively high caseloads.
- The rapid economic growth that lasted throughout the second half of the 1990s contributed to rapidly falling welfare caseloads.
- The falling caseloads combined with the stringent MOE provisions in the welfare legislation forced states to increase the amount of state money they devoted to each welfare recipient.
- The long time period before issuance of federal regulations for spending TANF dollars led to state uncertainty and delay in the spending of federal TANF funds.

The lesson we draw from this piece of history is that Congress, in reauthorizing welfare legislation, should explicitly authorize sufficient funds so that in periods of economic growth, state governments will have the resources to build up balances of unspent TANF dollars that they can hold for use in periods when the economy slows and demand for welfare increases.

Retention of the MOE provision

Without this provision, state governments would almost certainly have shifted more resources out of poverty-related activities, and would have been much less likely to "bank" some of their TANF grant allocations for future use.

Thus, in reauthorizing TANF, state governments should be given a strong incentive to maintain their existing spending on programs that benefit their low-income populations. The creation of an effective "work-based system" that will, over time, lift former welfare clients out of dependence and poverty requires a substantial investment in ancillary services such as child care, transportation, and skills training. These programs are unlikely to receive state fiscal support, especially in times of sluggish economic growth, unless federal welfare legislation prevents state governments from shifting funds to other uses.

Establishment of an adequate contingency fund

The original TANF legislation established a relatively small contingency fund that was, in our opinion, seriously flawed. The TANF legislation made access to contingency funds extremely difficult, making it unlikely that any state would have chosen to avail itself of the fund.

In reauthorizing the welfare legislation, the Congress should recognize that state governments will need additional funds when recessions occur. Congress should renew the contingency fund, but with a rule that access to the fund is triggered by some indicator of economic activity, such as a specified increase in the state unemployment rate, that is independent of state government activity.

More ample fiscal reporting requirements

One goal in designing reporting requirements for a reauthorized welfare bill should be to allow the federal government to trace as clearly as possible the impact of welfare reform on state spending for low-income persons. It is important to be able to gather data that allows one to determine the extent to which states are able to substitute TANF funds for their own spending on cash assistance. We would like to have data that will let us know whether TANF funds have contributed to state rainy day funds, or whether states cut taxes more than they otherwise would have because of the availability of the TANF surplus.

To be able to better track TANF spending, funding shifts, and fiscal substitution, we need consistent data across all states on total state spending on the various categories of social services. The U.S. Census Bureau should consider refining the broad category of spending called "social welfare" with the goal of providing uniform definitions for spending on specific services such as child care and child welfare services. ■

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[1]The data on TANF caseloads are from the Department of Health and Human Services, Administration for Children and Families Web site, < http://www.acf.dhhs.gov/news/stats/caseload.htm >.

[2]National Conference of State Legislatures, *State Fiscal Outlook for FY 2002; October Update*, Fiscal Affairs Program, NCSL, Denver, CO, October 31, 2001.

[3]H. Chernick and A. Reschovsky, "The Distributional Politics of Fiscal Adjustment: A Case Study of Four Northeastern States," *Public Budgeting & Finance* 10 (Fall 1990): 6–23.

[4]Nelson A. Rockefeller Institute of Government, "Fiscal Trouble Update," unpublished paper, Albany, October 4, 2001.

[5]I. Lav and A. Berube, *When It Rains It Pours; A Look at the Adequacy of State Rainy Day Funds and Budget Reserves*, Center on Budget and Policy Priorities, Washington, DC, March 1999.

[6]National Association of State Budget Officers, *The Fiscal Survey of the States: June 2001*, National Governors Association and the National Association of State Budget Officers, Washington, DC, 2001. Available at <http://www.nasbo.org/Publications?PDFs/FSJUN2001.pdf >.

[7]The average fund balance per capita was $85 if we exclude Alaska. J. Holahan and B. Garrett, "Rising Unemployment and Medicaid," *Health Policy Online*, No. 1, Urban Institute, Washington, DC, October 16, 2001. Available at < http://www.urban.org/authors/garrett.html >.

[8]Z. Neuberger and E. Lazere, *Analysis of TANF Spending Through the Middle of Federal Fiscal Year 2001*, Center on Budget and Policy Priorities, Washington, DC, September 2001. Available at < http://www.cbpp.org/9-28-01wel.htm >

[9]We exclude Alaska; because of its oil revenues it has a stabilization fund balance of over $4,500 per capita, an amount that exceeds the size of its general fund budget.

[10]H. Holzer, *Unemployment Insurance and Welfare Recipients: What Happens When the Recession Comes?* New Federalism: Issues and Options for States, No. A-46, Urban Institute, Washington, DC, December 2000.

[11]Holzer, *Unemployment Insurance*.

[12]Economic Policy Institute, "Unemployment Insurance Benefits State by State," press release of October 3, 2001. In New York and California, the two states with the largest welfare caseload, the replacement rate is even less than the average.

[13]G. Wallace and R. Blank, "What Goes Up Must Come Down," D. Figlio and J. Ziliak, "Welfare Reform, the Business Cycle, and the Decline in AFDC Caseloads," and P. Levine, "Cyclical Welfare Costs in the Post-Reform Era," all in *Economic Conditions and Welfare Reform*, ed. S. Danziger (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1999), pp. 49–90, 17–48, 249–74 respectively.

[14]R. Dye and T. McGuire, "State Fiscal Systems and Business Cycles: Implications for State Welfare Spending When the Next Recession Occurs," Discussion Paper 99-04, Urban Institute, Washington, DC, June 1999.

[15]Wallace and Blank, "What Goes Up."

[16]Holahan and Garrett, "Rising Unemployment."

[17]Rebecca Blank concludes that "the economy seems to have mattered less in the post-1996 period, and welfare policy has mattered more in reducing caseloads than it did in the earlier period." See "Declining Caseloads/Increased Work: What Can We Conclude about the Effects of Welfare Reform?" in Conference Proceedings: Welfare Reform Four Years Later: Progress and Prospects, *Federal Reserve Bank of New York Economic Policy Review* 7 (September 2001): 25–36.

[18]The federal government pays a share of all Medicaid spending, with the federal share ranging from 50 percent in the nation's 10 richest states to 76 percent in the poorest state. See the *Federal Register*, November 17, 2002. Available at < http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2000_register&docid=00-29112-filed >.

[19]K. Baicker, "Government Decision-Making and the Incidence of Federal Mandates," *Journal of Public Economics* 82 (November 2001): 147–94.

[20]L. Ku and B. Garrett, *How Welfare Reform and Economic Factors Affected Medicaid Participation: 1984–96*, Assessing the New Federalism, Discussion Paper 00-01, Urban Institute, Washington, DC, February 2000; B. Garrett and J. Holahan, *Welfare Leavers, Medicaid Coverage, and Private Health Insurance*, New Federalism: National Survey of America's Families, No. B-13, Urban Institute, Washington, DC, March 2000. Some contrary evidence from New York and Wisconsin suggests that many of those no longer on public assistance have in fact retained their Medicaid coverage. In a recent study of multiple program receipt in New York City, Chernick and Cordelia Reimers find that between 1994–95 and 1997–99, among households most at risk of needing public assistance, the rate of Medicaid receipt has not declined, even though receipt of cash assistance is substantially lower. A similar result has been found by Cancian and colleagues for former welfare recipients in Wisconsin. However, this result may not apply as strongly in other states. See H. Chernick and C. Reimers, "Welfare Reform and New York's Low Income Population," in Conference Proceedings: Welfare Reform Four Years Later: Progress and Prospects, *Federal Reserve Bank of New York Economic Policy Review* 7 (September 2001): 83–97; M. Cancian, D. Meyer, and C-F. Wu, "Program Participation of Mothers on W-2," in *Child Support Demonstration Evaluation, Phase I, Final Report*, ed. D. Meyer and M. Cancian, Institute for Research on Poverty, University of Wisconsin–Madison, 2001.

[21]H. Chernick, "Federal Grants and Social Welfare Spending: Do State Responses Matter?" *National Tax Journal* 53 (March 2000): 143–52.

[22]If caseloads had not declined dramatically in the period following the enactment of TANF, our calculations suggest the increase would have been 150 percent.

[23]G. Rowe and T. Roberts, *Welfare Rules Databook: State TANF Policies as of July 2000*, Urban Institute, Washington, DC, November 2001.

[24]Neuberger and Lazere, *Analysis of TANF Spending*.

[25]E. Lazere, *Unspent TANF Funds at the End of Federal Fiscal Year 2000*, Center on Budget and Policy Priorities, Washington, DC, February 23, 2001.

[26]New York City Independent Budget Office, "New York's Increasing Dependence on the Welfare Surplus," *Fiscal Brief*, August 2001.

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Social policy and the macroeconomy: What drives welfare caseloads?

James P. Ziliak

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In astonishment, welfare commentators, policymakers, and researchers witnessed welfare caseloads first soar and then decline over the past decade.[1] Between 1990 and 1994 the number of families receiving assistance from Aid to Families with Dependent Children (AFDC) exploded by 27 percent; between 1994 and 1999 the number plunged by nearly 50 percent. Changes in Food Stamp Program caseloads were equally dramatic, increasing by 42 percent in the early 1990s and then falling over 30 percent in the last half of the decade. Observers of welfare are very far from agreeing about the reasons underlying the caseload changes. Yet if we are to craft a more informed fiscal policy, we must gain greater insight into the determinants of welfare caseloads. This is the more urgent because Congress will soon begin deliberating the reauthorization of Temporary Assistance for Needy Families (TANF), the cash assistance program integral to the 1996 welfare reforms, and of the Food Stamp Program.

If, for example, the recent caseload declines are largely the result of strong macroeconomic performance, then states that failed to save for a "rainy day" may face difficult fiscal constraints as the economy takes a significant recessionary turn. If, in contrast, caseload declines are the result of social policy and respond only weakly to macroeconomic conditions, then the surpluses in many state welfare budgets are likely to persist even into the current economic slowdown. In particular, should Congress decide to tie state block grants to the current level of caseloads, rather than to the record levels of 1992–95 as current policy dictates, then any surplus would be "taxed" away during the reauthorization debate. Indeed, state surpluses could rapidly turn into deficits if Congress were to cut block grants during the present economic downturn because, as detailed below, welfare caseloads are highly cyclically sensitive.

What drives caseload declines?

The remarkable developments in welfare caseloads in the 1990s have prompted a flurry of research, with primary emphasis on the declines after 1993.[2] Researchers generally agree that the bulk of the caseload decline can be attributed to both the longest economic expansion in U.S. history and radical changes in social policy. Among the policy changes two stand out: expansions in the Earned Income Tax Credit (EITC), which made work more attractive, and welfare reform, implemented through state-level waivers from federal rules in the early 1990s and through federal legislation in 1996. Harmony of opinion ceases, however, when discussion turns toward determining how much to credit the economy and how much to credit policy for the rapid and far-reaching changes.

The research community has offered policymakers two competing explanations for the relative roles of the economy and of policy in accounting for caseload declines. In the first group are studies which conclude that the economy was the leading contributor to caseload declines, and that the aggregate impact of welfare reform (excluding the EITC expansions) was minimal, especially during the waiver period. For example, David Figlio, Elizabeth Davis, Laura Connolly, and I estimate that about two-thirds of the caseload decline during the waiver period (1993–96) can be attributed to the economy and very little to the *overall* impact of welfare waivers, which were in place in about 35 states by the end of 1996. However, we find that the impact of the welfare waivers varied widely across states. Some waivers, such as time limits and responsibility measures, led to caseload declines and others, such as higher earnings disregards and asset limits, led to caseload increases. In the aggregate, these effects canceled each other out. When we extended our earlier study through 1998, welfare policy appeared modestly to reduce caseloads, but the aggregate effect of welfare reform was still small in relation to the impact of the economy.[3]

In the second group are studies concluding that the economy mattered, but that, in the aggregate, welfare reform also contributed to caseload declines (modestly in some cases, substantially in others). Representative of this group is the widely publicized study by the President's Council of Economic Advisers (CEA), which found that from 1993 to 1996 the macroeconomy accounted for 44 percent and welfare waivers for 31 percent of the decline in AFDC caseloads. Updating the study two years later, the CEA found that welfare reform accounted for 36 percent of the decline in caseloads between 1996 and 1998.[4]

Caseloads are a dynamic process

Why the discrepancy? David Figlio and I addressed this question head-on by conducting a step-by-step reconcili-

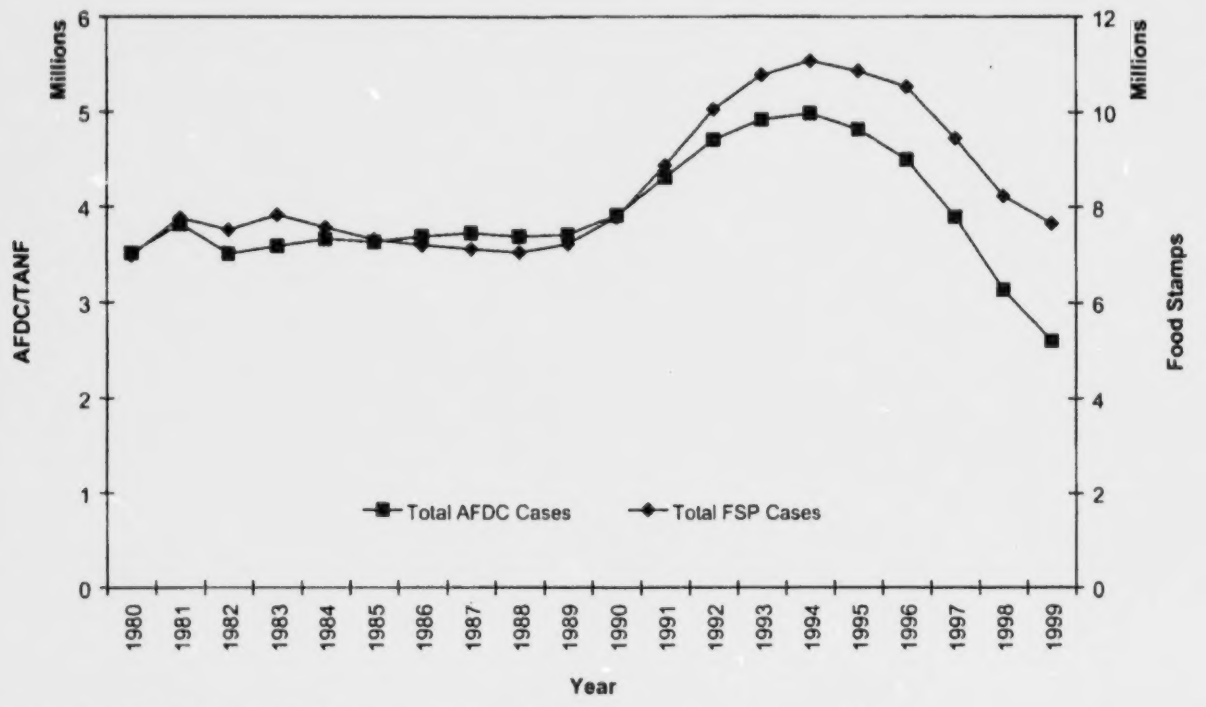

Figure 1. Total AFDC/TANF and Food Stamp caseloads, 1980–1999.

Source: Author's calculations. Data are from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture, and can be obtained from the author upon request.

ation of the two opposed approaches. Specifically, we examined how the relative impacts of the economy and welfare reform differ under alternative statistical specifications—for example, when welfare recipients instead of caseloads are used as the outcome of interest, and when the study takes into account or ignores state-specific welfare benefits. Our study shows unequivocally that the driving force behind the discrepancy in the estimated impacts of the economy and welfare reform is, simply put, a technical model misspecification that biased the CEA study (and others using methods similar to the CEA) toward finding a larger welfare-policy effect.[5]

The misspecification arises because researchers in the second group assume that caseload levels adjust immediately, and not sluggishly, to their own past levels and to economic or policy events. In econometric terms, these authors assume that there is no persistence (state dependence) in welfare caseloads. At the individual level, this assumption implies that there are no fixed costs of entering or exiting welfare, that jobs are readily available and costless to take, and that one's past usage of welfare has no impact on one's current likelihood of welfare participation. These assumptions are not supported by the data, either at the state or at the household level.[6] Once one accommodates caseload dynamics into the empirical model, the impact of welfare policy on caseloads is dampened substantially and the impact of the economy is enhanced.[7]

The 1980s versus the 1990s: Not all expansions are created equal

The welfare-reform policies implemented in the 1990s were very different in scope from those in place in the 1980s and earlier decades—work requirements, responsibility measures, marriage, separating the "deserving" from the "undeserving" poor.[8] The dramatic recent decline in welfare caseloads has led many commentators to declare welfare reform a success.[9] To bolster their claims they pose a stiff challenge to those researchers who found the economy to be the driving factor in the declines—if the economy is so important, why didn't caseloads fall in the expansion of the 1980s?[10]

A quick examination of the trends in aggregate AFDC and food stamp caseloads in Figure 1 makes it obvious why this challenge arises. During the expansion of the 1980s, food stamp caseloads fell, but AFDC caseloads actually increased. In the expansion of the 1990s, in contrast, both AFDC and food stamp caseloads fell in all states except Hawaii. To understand why aggregate AFDC caseloads remained stubbornly high in the 1980s,

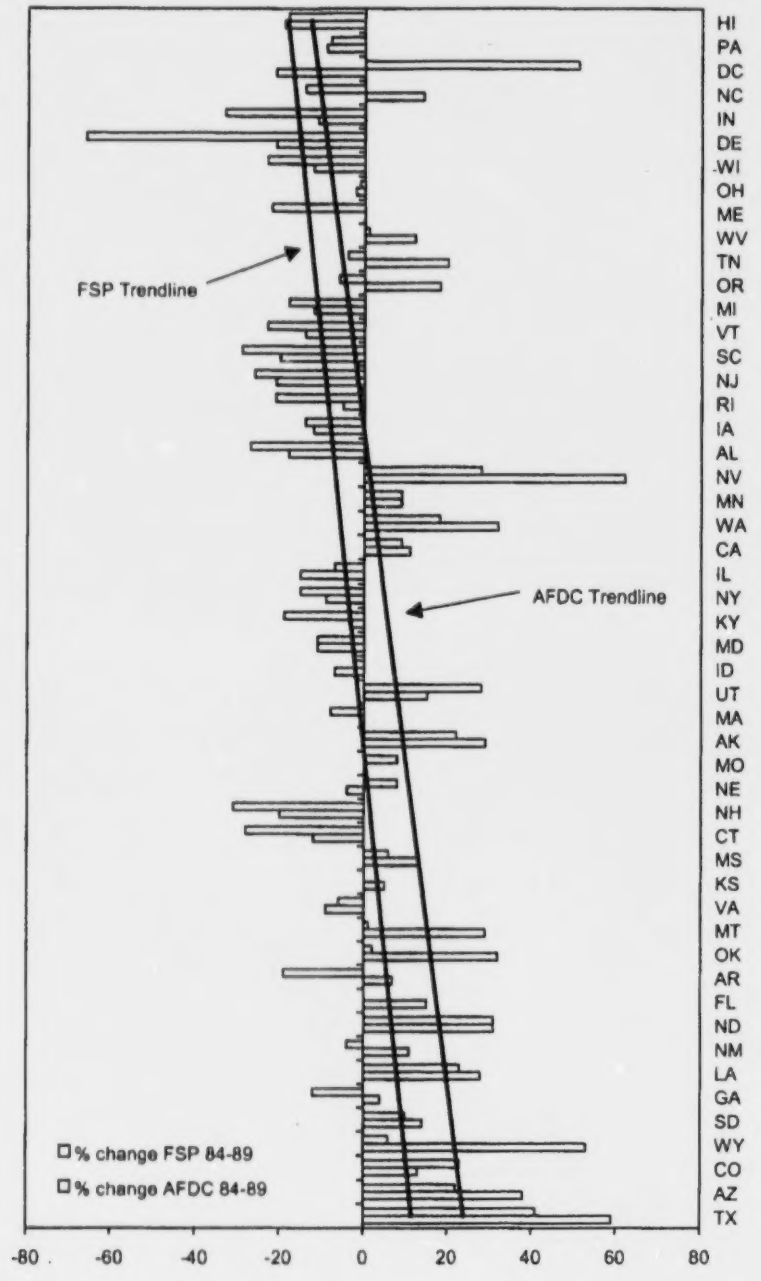

Figure 2. Change in AFDC and Food Stamp caseloads, 1984–1989.

Note: States are in descending order of macroeconomic performance, from the largest percentage decline in unemployment rates (Hawaii) to the smallest percentage decline (Texas).

Source: Author's calculations. Data are from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture, and can be obtained from the author upon request.

it is critical to abandon the national time-series data in favor of more disaggregated state-level data, at the same time taking a deeper look at the differences in the business-cycle expansions of the 1980s and 1990s.[11]

Consider Figure 2, which depicts the percentage change in AFDC and food stamp caseloads from 1984 to 1989 by state, arranged in descending order of state macroeconomic performance.[12] Figure 2 reveals a simple, but pow-

erful, bifurcation in state experiences. Of the 15 states with the strongest economies, 9 experienced declines in both AFDC and food stamp caseloads, and 14 of the 15 had declines in at least one of the programs. Of the 15 states with the weakest economies, 9 had *higher* AFDC and food stamp caseloads, and 14 of the 15 saw higher caseloads in at least one program.[13] The data in Figure 2 are not intended to capture the complex relationship between caseloads and the macroeconomy, but the simple correlations are quite clear—macroeconomic performance mattered for welfare caseloads in the 1980s.

If the economy influenced caseload movements in both the 1980s and the 1990s, why was there such a dramatic difference between the expansions? The likely reasons are that the 1990s expansion was longer, reached deeper into the labor pool, and affected all regions of the country. To understand the impact of these developments on the economic opportunities for low-income Americans, it is necessary to turn to recent labor market research.

A common barometer used by economists to gauge the health of the labor market is the nonaccelerating inflation rate of unemployment (NAIRU)—the level of unemployment that is associated with price stability. For the better part of the last twenty years there was general agreement that an unemployment rate below 6 percent should be seen as an inevitable precursor of inflation.

Although recent estimates of the NAIRU differ depending on the methods employed, most indicate that it fell between 1.0 and 1.5 percentage points from the mid-1980s to the late 1990s—a decline attributed by some researchers to a rise in the growth rate of labor productivity.[14] This was a surprising development because it implied that in the 1990s the country was able to enjoy the simultaneous benefits of low unemployment and low inflation, a phenomenon not seen since the late 1960s. Not coincidentally, welfare caseloads also dropped to levels not reached since the 1960s (especially TANF caseloads, since the Food Stamp Program was in its infancy in the 1960s). The growth in labor productivity in the 1990s allowed employers to reach deep into the lower tail of the income distribution for workers and to reward them with higher real wages. In contrast, during the 1980s falling real wage rates for low-wage workers had resulted in falling (absolute and relative) real incomes and, inevitably, upward pressure on welfare caseloads.[15]

Another special feature of the 1990s expansion was that it was experienced across all regions of the United States. Indeed, in over 80 percent of the states, unemployment rates in 1999, the peak of the 1990s expansion, were at least as low as those in 1989, the peak year of the 1980s expansion. In that earlier expansion, the domestic auto and steel industries in the "Rustbelt" recovered, and the "Massachusetts Miracle" moved into high gear, but a bust in the oil industry led to recessions in Texas and some Rocky Mountain states, which saw increases in AFDC and food stamp caseloads (see Figure 2). The mid- to late 1990s, however, were devoid of regional shocks; this undoubtedly contributed to the large, across-the-board declines in state welfare caseloads. Some have speculated that this lack of regional business cycles is the result of the "New Economy," the so-called information revolution that led to the productivity growth during the decade. Events of recent months, including shocks to energy markets in the West and the tragedies in New York City and Washington, DC, indicate that the New Economy is not immune to regional influences. Thus the experience of the 1990s is likely to prove the exception rather than the rule.

The contribution of the EITC to caseload declines

Even after we take into account the effects of the economy and welfare policy on welfare caseloads, a sizable amount of the decline remains unexplained. For certain there are state-specific political and demographic influences that capture part of this unexplained gap, but other tax policy and macroeconomic forces are at work.[16] Among the most important is the EITC.

After its inception in 1975, the EITC was quite modest until a series of expansions, beginning with the Tax Reform Act of 1986 and culminating in the 1993 Omnibus Budget Reconciliation Act, made it a major part of the social safety net. These expansions, it has been argued, can account for upward of 60 percent of the recent rise in labor force participation among single women with children. If this is true, it suggests that the EITC might be the most successful antipoverty program in U.S. history targeted to the working-age population.[17]

The caseload studies discussed in this article do not explicitly identify the impact of the EITC on caseload declines. The difficulty arises because these studies use state-level panel data, but the EITC expansions affected all states at the same time. This implies that it is not possible to distinguish the effects of the EITC from the effects of other aggregate factors that might affect simultaneously state-level caseload movements, such as national unemployment rates, oil price shocks, and even presidential elections.[18] Indeed, there might also be a larger dimension to welfare reform that is entwined with the EITC and other national forces (e.g., national political pressure).

To account for these macroeconomic factors, most of the studies include a set of year-specific indicator variables, which pools the EITC, national political and economic forces, and any other aggregate influence into a single variable whose impact varies over time.[19] Results indicate that incorporating these time effects into the model does not increase or diminish the estimated cyclic nature of the caseload, but does substantially diminish the effect of welfare policies. Thus, although the exact impact of the EITC is

unknown, it clearly played a role in the recent caseload declines, and failure to control for aggregate forces such as the EITC overstates the influence of welfare policy changes.

Economy or policy? A summation

It should go without saying that social policy matters for our understanding of changes in TANF and food stamp caseloads; indeed, we can all envision a set of policies that drives caseloads to zero. The task at hand, however, is to understand the magnitude and direction of the set of policies enacted as part of the 1990s welfare reforms—policies that were first begun by individual states and then enacted by Congress. An empirical model that serves as a framework to identify the impact of welfare policy reforms must admit dynamic feedback, in the form of lagged economic conditions and lagged values of caseloads.[20] In addition, the model must permit aggregate forces that vary over time, such as the EITC, to influence state- or household-level caseload movements.

Once dynamic and aggregate factors are brought into the analysis, the overall impact of welfare-waiver policies on AFDC/TANF and food stamp caseloads in the period leading up to the 1996 reforms appears to have been minimal. This is not because policy didn't matter, but because policies enacted in some of the states led to modest caseload increases whereas policies in other states led to modest caseload decreases, yielding an aggregate effect near zero. Since passage of PRWORA in 1996, caseload-reducing policies have moved to the forefront, so that the aggregate effect of welfare reform, albeit still small in relation to the economy, has resulted in lower assistance caseloads.

The high-pressure U.S. economy of the mid- and late 1990s, not the recent welfare policies, was the driving force behind the caseload declines. The expansion offered low-income Americans the most favorable labor-market conditions in three decades, and they responded by entering the labor force, increasing hours of work, and receiving the first real wage gains in 20 years.

Because welfare caseloads are strongly countercyclical, caseloads will likely increase as the economy moves further into the current slowdown. This is indeed happening in many states at the time of this writing. But there is considerable inertia in the welfare caseload, and some of the effects of welfare reform and the economic expansion have yet to manifest themselves in the caseload. This inertia will continue to exert downward pressure on the caseload for some time to come.

How much, then, will caseloads rise in response to the slowdown? That is an open question and is clearly a function of the depth and length of the downturn. In U.S. recessions of the decades after World War II, unemployment rates typically rose 2 to 4 percentage points, suggesting that TANF and food stamp caseloads could rise 5 to 10 percent in the first year of a recession.[21] Still unknown, however, is the interaction of welfare reform and a sour economy. Before PRWORA, AFDC was an entitlement, available to all who were eligible for as long as they met the criteria. Thus it was one of many "automatic stabilizers" in the economy (food stamps remain an entitlement). To what extent will AFDC's replacement, TANF, which operates under much stricter eligibility rules and time limits, still fulfill the automatic insurance role? The answer to this question must await the completion of a full business cycle. ■

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[1]I wish to thank David Figlio, Craig Gundersen, and Steven Haider for many insightful comments. All opinions and errors are my own.

[2]See, for example, J. Ziliak, D. Figlio, E. Davis, and L. Connolly, "Accounting for the Decline in AFDC Caseloads: Welfare Reform or the Economy?" *Journal of Human Resources* 35(2000): 570–86; R. Blank, "What Causes Public Assistance Caseloads to Grow?" *Journal of Human Resources* 36(2001): 85–118. S. Bell, "Why Are Welfare Caseloads Falling?" Discussion Paper 01-02, Urban Institute, Washington, DC, 2001, critically reviews the literature and provides further references.

[3]See, e.g., D. Figlio and J. Ziliak, "Welfare Reform, the Business Cycle, and the Decline in AFDC Caseloads," in *Economic Conditions and Welfare Reform*, ed. S. Danziger (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 1999): 17–48. Ziliak et al. "Accounting for the Decline," found evidence that it took time for the welfare-waiver policies to be implemented and transmitted to the welfare caseload. Hence, one would expect to capture a larger policy effect with the additional two years of post-PRWORA data in the sample.

[4]Council of Economic Advisers, *Technical Report: Explaining the Decline in Welfare Receipt, 1993–1996*, Executive Office of the President, Washington, DC, 1997, and *Technical Report: The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update*, Executive Office of the President, Washington, DC, 1999. For this perspective, see also Blank, "What Causes Public Assistance Caseloads to Grow?" and J. O'Neill and M. Hill, *Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work*, Civic Report No. 17, Manhattan Institute, New York, NY, 2001.

[5]Figlio and Ziliak, "Welfare Reform." We used data from Aid to Families with Dependent Children (AFDC), the forerunner to TANF. Specifically, we compared the work reported in Ziliak and others, "Accounting for the Decline," with the 1997 CEA technical report, *Explaining the Decline in Welfare Receipt*. Among other differences in technical specifications that we explored were (1) using year dummies in lieu of a cubic trend to control for macroeconomic factors; (2) using weights in the regression model versus no weights; (3) using the first difference of caseloads instead of the level of caseloads as the dependent variable; and lastly (4) using a dynamic framework that includes lagged caseloads and economic conditions instead of a static framework that omits these factors, particularly lagged caseloads.

[6]For expositions of these econometric issues, see, e.g., J. Klerman and S. Haider, "A Stock-Flow Analysis of the Welfare Caseload: Insights from California Economic Conditions," unpublished paper, Rand Corporation, Santa Monica, CA, 2000; H. Hoynes, "Local Labor Markets and Welfare Spells: Do Demand Conditions Matter?" *Review of Economics and Statistics* 82 (2000): 351–68; M. Bane and D. Ellwood, "Slipping Into and Out of Poverty: The Dynamics of Spells," *Journal of Human Resources* 21(1986): 1–23; R. Blank and P. Ruggles, "When Do Women Use Aid to Families with Dependent Children and Food Stamps? The Dynamics of Eligibility versus Participation," *Journal of*

Human Resources 31(1996): 57–89. An advantage of static models lies in the fact that the coefficients offer ease of interpretation compared to coefficients from dynamic models, because the latter require that a time horizon (e.g., short-run versus long-run) be specified. Although this feature of static models should not be easily dismissed, the evidence shows clearly that dynamic models, though demanding extra care, more accurately characterize welfare-caseload movements.

[7]Indeed, Klerman and Haider, "A Stock-Flow Analysis," show that the estimated impact of the economy on caseloads in the first group of studies is, if anything, conservative.

[8]Interestingly, though, the policies of the 1990s share many features with those policies in place in 19th century public relief programs. See, for example, S. Ziliak, "Kicking the Malthusian Vice: Lessons from the Abolition of 'Welfare' in the Late Nineteenth Century," *Quarterly Review of Economics and Finance* 37(1997): 449–68, and M. Katz, *In the Shadow of the Poorhouse: A Social History of Welfare in America* (New York: Basic Books, 1986).

[9]See, for example, C. Murray, "What Government Must Do: Make Welfare Unappealing or Reform Will Fail," *American Enterprise* 9(1998): 72–73; R. Haskins, "Giving is Not Enough: Work and Work Supports Are Reducing Poverty," *Brookings Review* 19(2001): 13–15.

[10]This criticism is not expressed only by conservative commentators, as two former members of the Clinton Administration echo the challenge; see R. Blank and D. Ellwood, "The Clinton Legacy for America's Poor," Working Paper W8437, National Bureau of Economic Research, 2001.

[11]A similar puzzle arose over aggregate poverty rates, which barely budged in the 1980s expansion, although they should have declined judging by experience in previous expansions. There is a large literature on this topic; see R. Blank and D. Card, "Poverty, Income Distribution, and Growth: Are They Still Connected?" *Brookings Papers on Economic Activity* 2(1993): 285–339, and C. Gundersen and J. Ziliak, "Poverty and Macroeconomic Performance: A View from the States in the Welfare Reform Era," unpublished paper, University of Oregon, 2001, for comprehensive examinations based on regional and state-level data, respectively.

[12]For these purposes, macroeconomic performance is defined by the percentage change in unemployment rates; states are ranked from the largest percentage decline in unemployment rates (Hawaii) to the smallest percentage decline (Texas).

[13]Unemployment rates actually rose between 1984 and 1989 in Arizona, Colorado, and Texas.

[14]See, for example, L. Ball and R. Moffitt, "Productivity Growth and the Phillips Curve," unpublished paper, Johns Hopkins University, 2001; L. Katz and A. Krueger, "The High Pressure US Labor Market of the 1990s," *Brookings Papers on Economic Activity* 1 (1999): 1–65.

[15]For discussion of these issues, see D. Cutler and L. Katz, "Macroeconomic Performance and the Disadvantaged," *Brookings Papers on Economic Activity* 1(1991): 1–74; L. Karoly, "The Trend in Inequality among Families, Individuals, and Workers in the United States: A Twenty-Five Year Perspective," in *Uneven Tides: Rising Inequality in America*, ed. S. Danziger and P. Gottschalk (New York: Russell Sage Foundation, 1993): 19–97.

[16]Blank, "What Causes Public Assistance Caseloads to Grow?"; J. Ziliak, C. Gundersen, and D. Figlio, "Welfare Reform and Food Stamp Caseload Dynamics," Discussion Paper 1215-00, Institute for Research on Poverty, University of Wisconsin–Madison, 2000.

[17]See V. J. Hotz and J. K. Scholz, "The Earned Income Tax Credit," in *Means-Tested Transfer Programs in the United States*, ed. R. Moffitt (Cambridge, MA: National Bureau of Economic Research, forthcoming). On the size of its effect, see B. Meyer and D. Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers," *Quarterly Journal of Economics* 109 (2001): 1063–14.

[18]Meyer and Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers," achieve identification of the EITC using microlevel data from the CPS and a difference-in-difference strategy, i.e., they exploit the fact that the EITC policy changes affected single women without children differently from single women with children.

[19]A notable exception is the article by G. Wallace and R. Blank, "What Goes Up Must Come Down? Explaining Recent Changes in Public Assistance Caseloads," in Danziger, ed., *Economic Conditions and Welfare Reform*, pp. 48–89. Wallace and Blank eschew the use of aggregate time controls on the ground that it "overadjusts the data and misestimates the actual effects of program changes over time" (p. 83). However, they note that by including the time effects "the long-run effect of unemployment remains virtually unchanged while the long-run effect of waiver implementation decreases by over half" (p. 83).

[20]Klerman and Haider, "A Stock-Flow Analysis," also argue for the possibility of interactions between the lagged dependent variable and lagged economic conditions.

[21]Figlio and Ziliak, "Welfare Reform"; Ziliak, Gundersen, and Figlio, "Welfare Reform and Food Stamp Caseload Dynamics."

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"Whatever we have been doing": Policy control over TANF

Thomas Kaplan

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An influential early critic of the welfare reforms of 1996, Wendell Primus, recently acknowledged a change in his attitude toward current welfare reform, stating that "whatever we have been doing the last five years we ought to keep doing."[1] This article focuses on a part of "whatever we have been doing." Even as researchers assess the well-being of actual or potential participants in Temporary Assistance for Needy Families (TANF), the cash welfare program arising from the 1996 reforms, the detailed program experiences of TANF participants have remained unclear. This lack of clarity raises questions about how federal and state policymakers might know more or, if they wish, exert greater program control.

Current murkiness

To some extent, the lack of clarity concerning what actually happens in TANF programs is an intentional outgrowth of policy design. Federal TANF legislation established mandatory performance standards covering the percentage of the caseload that must participate in work or work-related activities and imposed financial penalties on states failing to meet the percentages. The legislation also specified that separate TANF financial bonuses would go to "high-performance states" (defined administratively as those that most successfully move clients into stable, better-paying jobs) and states that most reduce their rates of nonmarital pregnancy. The legislation did not detail the programmatic or administrative structure that states must develop as they meet, or do not meet, the performance goals. Nevertheless, having shifted from an AFDC program offering direct aid to individuals toward a block grant that instead delivers money to state or local (usually public but also private) organizations, policymakers and other observers naturally want to know what these organizations are doing to and for program participants.

It is possible that policymakers will later decide that these questions no longer merit attention, the same fate that earlier questions about what AFDC recipients were doing with their grants—sheltering a "man in the house," starting a garden that could offset their food needs, etc.—met in the 1960s. But for the foreseeable future, if only to determine whether certain organizational practices lead with reasonable reliability to better or worse outcomes for program participants, interested observers are likely to want to know in some detail what experiences the organizations receiving public funds provide for TANF participants.

Yet vagueness concerning the experiences of program participants and the practices of the organizations that serve them may be inevitable. Good public management generally requires information systems that allow for varied and decentralized managerial procedures, "while at the same time assuring accountability to central authorities by reporting accurate and interpretable information on the achievement of program objectives, the provision of services, and program expenditures," as Richard Nathan and Thomas Gais noted in their "first look" at the implementation of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).[2] Yet good welfare-to-work practice—at least as it has so far been defined in many of the front-line agencies serving TANF participants (and partially corroborated by one independent study[3])—makes that management ideal hard to achieve. Staff in these agencies often speak of their "whatever it takes" approach to moving participants into the labor market. Even making allowances for the inevitable "spin," and for the favorable financial conditions under which most TANF programs have operated until recently, it is hard at least in Wisconsin to be unimpressed by the willingness of TANF programs to put together complex and individualized service packages—ranging from residential drug treatment in a program that allows children to live with their mothers during the treatment, to vocational training, to the imposition of benefit sanctions—for at least some participants.

In such an individualized system, in which case managers have much flexibility to exercise their judgment, it is difficult to summarize the operation of that flexibility in the rectangular categories (reading down or across a table) that management information systems best capture. We may know at any one time how many clients are in English as a Second Language programs, how many are in introductory programs that describe what TANF clients can expect from the agency and attempt to motivate program participation, how many are in postsecondary education, and how many work, if these programs are distinct. But at least in the Wisconsin TANF operation, a growing number of programs are hybrids, and they may be entered into the management information system in the way that is most advantageous to program operators. A program that combines classroom instruction with work experience, for example, may be entered into the state data system either as classroom instruction or as community service work. Because federal law

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Table 1
Typology of Work First Programs in Michigan

General Approach	Dominant Activities	Primary Purpose
Job-seeking support	Workshops on résumé preparation, interviewing techniques, etc. Staff develop job leads, bring employers to the program for interviews.	Place all or nearly all clients into a job.
Job-search preparation	Workshops on résumé preparation, interviewing techniques, etc. Staff do not develop job leads or bring employers in for interviews. Instead, clients do their own self-directed job search.	Place all or nearly all clients into a job.
Labor market sorter	Workshops on résumé preparation, interviewing techniques, etc. Staff develop job leads, bring employers to the program for interviews. Clients who do not find a job receive extra assistance.	Determine, through success or failure in the labor market, which clients need extra assistance to obtain a job, and provide that assistance only to those who need it.
Client responsibility	Clients receive individual assistance (but not organized workshops) in preparing résumés and finding job openings.	Place all or nearly all clients into a first job, but assure that the program signals that finding a job is the client's responsibility, not the program's.

Source: N. Anderson and K. Seefeldt, "Inside Michigan Work First Programs," Michigan Program on Poverty and Social Welfare Policy, April 2000.

allows no more than 20 percent of those in "work experience" to be engaged in vocational education, and because community service work generates more administrative credit for clients with a high school diploma or equivalency degree under Wisconsin state policy, the hybrid is more likely to be entered as community service, and policymakers then lose information about the actual nature of the program.

W. Edwards Deming, the founder of the quality movement in the United States, often expressed an aversion to numeric performance standards; indeed, the 11th of his 14 quality principles called for their elimination.[4] Deming was concerned that, in order to meet the quotas, organizations would either take undesirable shortcuts that hurt performance in other areas, or they would hide their actual activities to assure surface conformance. Under PRWORA, although most states have generated sufficient caseload reduction credits to be unaffected by nominal work participation requirements, the fact that work is promoted over training probably leads states to define activities that could be considered both as a form of community service work.[5]

One could imagine a data system with the ability to control for this tendency by capturing nuances of hybrid programs: there could be one entry for a hybrid program in which participants spend the majority of their time in the classroom and another if participants spend the majority of their time in work experience. But even assuming that such distinctions are meaningful—how would one treat extra tutoring that some but not all participants receive?—there is a limit to the number of choices a case manager would reasonably consider in entering data.

More fundamentally, important elements of the interaction between case managers and clients cannot be captured in any data system. If case managers have flexibility, they will exercise it differently in ways that are important. Some will be more or less willing than others to make exceptions to general program rules and either sanction or not sanction program participants for particular infractions. Some case managers, believing that a participant will gain no benefit from the program if she and her family lack a stable residential setting, will be more willing than others to define as "community service job" activity the time a participant spends finding housing. The data system can only capture whether or not the participant received a sanction or was recorded as a community service job case, not an informal agreement concerning how the client should spend some of her community service job time.

Can we know anything useful about practice?

Despite the murkiness, we know much that is important about the program experiences of TANF participants, particularly the experiences reflected in state budgets and state financial assistance policies. States appear to have substantially reduced their budgets for direct financial assistance to low-income households and increased their expenditures on child care, child welfare, and employment and training.[6] In addition, annual federal reports allow us to categorize states by whether they offer earnings supplements, the size of the supplements, and the length and nature of time limits on financial assistance. We could also categorize programs by whether participants interact with two case managers—one for employment and training and one for eligibility and benefits for cash assistance—or one case manager, and this would tell us something at least moderately useful about the experiences of program participants.

More subtly, some researchers have pointed us in the direction of categorizing programs by central tendencies in the relationship of programs to their participants. Two investigators familiar with county Work First programs

in Michigan, Nathaniel Anderson and Kristin S. Seefeldt, for example, organized the agencies into four "typologies to describe the variation of service delivery." Table 1 offers a simplified description of the typologies.

Because all the programs had a general work-first emphasis, this typology rests on often subtle differences that the researchers observed in dominant activities and purposes. Some programs offered organized workshops in job-seeking skills and some did not; the staff in some programs developed job leads and brought potential employers to the program, whereas staff in other programs provided less assistance; some programs sought only job placement, whereas others were equally concerned that clients understand that finding a job was their own responsibility.

In a broader effort to categorize the central tendencies of state TANF programs, some coauthors recently carried me along in the development of a taxonomy that was intended to capture the full range of state programs. Table 2 displays a simplified version of the taxonomy.

The taxonomy relies heavily on an assessment of the motivation behind each state program, not necessarily the motivation expressed by state governors and other policymakers, since such expressions are often varied and conflicting, but rather motivations as judged by expert observers inside the state.[7] We argued that state TANF programs attempt primarily to promote one of three activities—motivating clients, building their skills, or reducing barriers—so that clients will either work or not be dependent. Thus, we said, Minnesota motivates clients to work by providing large earnings disregards that allow the welfare grant to subsidize earnings, whereas Wisconsin motivates clients to not be dependent by providing assistance only for work. In contrast, states like Kansas and Oregon do extensive and individualized early assessments of clients and their families to discover and address barriers to work, and Michigan's Work First agencies have moved increasingly to build work skills among those who have obtained entry-level jobs.

Federal and state control

I stress that the state-level taxonomy presented in Table 2 captures only differences in emphases, that many state TANF programs falling into some categories have much in common with programs in other categories, and that state emphases change over time. Even if this taxonomy helps analysts think about differences among state programs at a particular moment, case managers in Wisconsin say in interviews and surveys that they select from all these strategies and goals, based on the apparent needs, backgrounds, and aspirations of their "customers." Although Wisconsin policy may overall be aimed at changing client motivation, many individual sessions between case managers and their clients seem primarily directed at reducing barriers to employment. Case managers in other states are likely to be similarly eclectic in their actual interactions with program participants.

Table 2
Taxonomy of State TANF Programs

Programs Seek Primarily to:	So That Program Clients Will:
Motivate clients	Work or Not be dependent
Build client skills	Work or Not be dependent
Reduce barriers faced by clients	Work or Not be dependent

Source: T. Gais, R. Nathan, I. Lurie, and T. Kaplan, "Implementation of the Personal Responsibility Act of 1996," in *The New World of Welfare*, ed. R. Blank and R. Haskins (Washington, DC: Brookings Institution Press, 2001), pp. 35–64.

Is there a place for oversight and control in such an eclectic and flexible policy environment? A useful starting point is to assure that large evaluations of TANF programs include a significant study of program implementation, particularly if the outcome or impact parts of the evaluation rely heavily on administrative data. Evaluators should spend enough time observing and assessing daily activity in the programs they study to allow them to understand, and perhaps even compensate for, any bias in administrative data.

A second useful step may be to expand current federal reporting requirements imposed on states to include all clients receiving TANF-funded services (and state-funded services under maintenance-of-effort requirements), even if the clients receive no cash assistance. Under present law, states must report the household relationships, age, race, and educational background of household members, the type of service provided, and other data for households receiving cash assistance, but states do not report to the federal government on households receiving TANF-funded services without cash assistance. One reason for the distinction between families receiving TANF cash assistance and services and those receiving just TANF services has been to assure that only those receiving cash assistance "tick" their time limit clocks. It should be possible, however, to distinguish, for time-limit purposes, between households receiving and not receiving cash assistance, even if the reporting pool includes both kinds of households. If that were done, policymakers would have at least some understanding, consistent across states, of the range of TANF-funded services provided to households not currently receiving cash assistance.

Even with this change, however, an effective oversight role for state and federal policymakers would be hard to develop. If particular activities that clients are supposed to be

in are specified in legislation—as they are under the current iteration of TANF, with its emphasis on allowable activities that look like jobs—then states are likely to use their inevitable flexibility to report in a way that is to their advantage. If federal funds go primarily to programs that achieve particular outputs, such as a specified percentage of program graduates who are employed for 30 or 180 days at a specified wage, then policymakers will need to be alert to the kind of client "creaming" that occurred in the 1980s under the Job Training Partnership Act.

An alternative or additional form of control that Congress might consider in its reauthorization debate would govern program inputs: the credentials of the staff who exercise the discretion at the heart of local programs. When program operators have flexibility to choose among competing approaches to particular clients, and when the outcomes of those choices cannot be known with certainty (the client may obtain a job with particular wages and benefits, but the contribution of the case manager or the program to that outcome will be uncertain), a common way to ensure that the choices comply with some standard is through insisting that the staff making the choices have a particular educational background or professional certification.

Case managers in Wisconsin's TANF program are not professionals in the ordinary sense of that term: in a 1999 survey, 14 percent of the case managers said that their highest level of education was a high school diploma, 42 percent had some college but lacked a bachelor's degree, 31 percent had a bachelor's degree, and about 11 percent had done some graduate work.[8] Wisconsin does, however, require that new case managers take a common state training program that lasts (in Milwaukee, where case managers do not handle Food Stamp and Medicaid eligibility determination) about two months, and case managers cannot have their own caseload until that training has been completed.

As one form of control over the eclectic and flexible decisions of case managers, TANF reauthorization legislation might specify either what educational background TANF case managers must have or the kind of preservice training that state or local organizations must provide these staff.

Developing such specifications may be difficult, since the ideal educational background for case managers in TANF programs is not obvious: case managers often address a variety of educational, family, cognitive, health, and other barriers as they help place clients in jobs and training, and no single profession has yet become dominant in welfare-to-work programs. Social work is a potential candidate for professional dominance, but its educational programs have not yet emphasized work and training. Rehabilitation counseling—another possibility for professional dominance—now deals only with clients who have disabilities. Because of these complexities, and because states could reasonably differ in their judgment of what constitutes good training, TANF reauthorization might instead require states to establish and report on their own educational background and training requirements.

I acknowledge that the establishment of professional or quasiprofessional background requirements for case managers is unlikely to stir enthusiasm in the public or among politicians, and that any requirements will inevitably create, as well as address, problems. Public policymakers—who must necessarily cede discretion to school teachers operating in their individual classrooms, to police officers responding to emergencies, and to other "street-level bureaucrats"[9] in addition to TANF case managers—often try to exert some of their limited control through the establishment of common certification standards or initial training requirements. As the many criticisms of current certification requirements for teachers suggest, such efforts generate their own problems: certain requirements are inevitably too rigid for some and too flexible for others. Yet the difficulty of achieving consensus does not suggest that we should have no standards at all. Even critics of current teacher certification standards seek generally to substitute other requirements, such as college graduation or particular work experience, for the courses in education now specified, not to eliminate background requirements entirely. State or federal policymakers with a clear vision of what they want TANF case managers to do should be expected to back that vision by specifying a required training or experiential background. ■

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[1]Quoted in E. Harden, "Two-Parent Families Rise after Changes in Welfare," *New York Times*, August 12, 2001.

[2]R. Nathan and T. Gais, *Implementing the Personal Responsibility Act of 1996: A First Look* (Albany, NY: Rockefeller Institute Press, 1999), p. 53.

[3]D. Bloom and C. Michalopoulos, *How Welfare and Work Policies Affect Employment and Income: A Synthesis of Research*, Manpower Demonstration Research Corporation, New York, 2001, find that programs that carefully combine job search and short-term training yield better results than either job search or training alone.

[4]See, for example, M. Walton, *The Deming Management Method* (New York: Perigee Books, 1996).

[5]The nominal requirement in 2001 holds that 50 percent of single parents must be "engaged in work."

[6]D. Ellwood and D. Boyd, *Changes in State Spending on Social Services since the Implementation of Welfare Reform: A Preliminary Report*, Rockefeller Institute of Government, Albany, NY, 2000.

[7]A recent essay by Irene Lurie provides a description of the methodology behind the studies that arrive at such conclusions. I. Lurie, "Field Network Studies," in *Implementation Analysis: An Evaluation Approach Whose Time Has Come*, ed. M. Lennon and T. Corbett (Washington, DC: Urban Institute Press, forthcoming).

[8]T. Kaplan and T. Corbett, "The Implementation of W-2," in *W-2 Child Support Demonstration Evaluation, Phase 1: Final Report*, Vol. II, ed. D. Meyer and M. Cancian, Institute for Research on Poverty, University of Wisconsin–Madison, 2001.

[9]The phrase comes from M. Lipsky, *Street-Level Bureaucracy: Dilemmas of the Individual in Public Services* (New York: Russell Sage, 1980). The book offers several reasons for the discretion that is characteristic of many public sector jobs.

Welfare reform: The institutional dimension

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What does government have to do at the state and local level to make a success of welfare reform? The answers begin with policy but finally focus on the capacity of the regime. Government must want to "do the right thing," but it must also be able to do it.

Getting policy right

What is best policy for welfare reform, of course, depends upon one's goals. Temporary Assistance for Needy Families (TANF) awards localities great discretion in redesigning family welfare. At the same time, the work participation standards in the program force states to give priority to moving adult recipients into jobs. All states also say they are emphasizing employment.

If so, then it is reasonably clear from past evaluations what successful welfare work programs look like. First, they must be mandatory, requiring participation for all adults deemed employable, rather than leaving work as a choice. Many states have enacted more generous work disregards, but these, experience has shown, are not enough to attain high work levels. Rather, work effort must be enforced as a condition of aid. Second, programs must emphasize actual work in available jobs, rather than education or training as was favored by federal policy prior to TANF.[1]

Although most states claim to be pursuing "work first" policies, there are differences of degree. In Wisconsin, to be working in some job, either private or public, is virtually a precondition for aid, whereas in Portland, Oregon, recipients are encouraged to seek out full-time positions with good pay and benefits even if this delays employment somewhat—an approach that has evaluated well.[2] It is enough that a program be work-focused, making clear to recipients that they must soon confront the labor market as it is.

Implementation

Implementing reform programs is just as important as designing them. To execute work policies, localities must be willing to spend money on the necessary bureaucracy and support services, particularly child care. Fortunately, the recent fall in the caseload virtually everywhere has given states a windfall. The decline is driven by good economic conditions and enhanced benefits such as the Earned Income Tax Credit as well as by welfare reform. Even states that have not yet done much to change welfare have gained. This has allowed them to afford reform, at least in the short run.

Money, however, is only the beginning. The administrators who run programs locally must be fully "on board." They must initiate the new policies or at least embrace changes decided above them. If they do not "own" reform, they will implement it perfunctorily, or not at all.[3] In many localities, welfare administrations are still so oriented to accurate grant payment—the "quality control culture"—that employment remains an afterthought. In some places, staffs have resisted the shift toward "work first," as this curbs their ability to send clients to school for several years in hopes of getting them better-paying jobs.[4] And with caseloads falling for other reasons, welfare agencies may feel little actual pressure to build work into their routines.

How to engage the bureaucracy fully in reform is a deep problem. Part of the answer is instituting incentives—for example, tying funding to performance measures such as job entries—that give local staffs reasons to implement. A longer-term answer is recruiting more talented and motivated people to work in welfare administration. The search for more dynamic structures explains much of the reorganization that has gone on around welfare reform, including the frequent devolution of some functions to nongovernmental organizations.

My studies of Wisconsin and New York convince me, however, that the institutional challenges posed by reform stretch beyond mere implementation to the general capacities of government. If one compares these two important states, one sees radical differences in their ability to handle reform. The contrast is not mainly in the generosity of policy, since both have high benefits and ambitious antipoverty programs. Rather, it is in their general ability to decide what to do about difficult issues, and then to carry it out.

Wisconsin

Wisconsin, by common consent, has achieved the most radical welfare reform in the nation. Here, to an extent not seen elsewhere, welfare was totally redesigned. Rather than just add work programs to Aid to Families with Dependent Children (AFDC), as most states have done, Wisconsin recentered welfare on the individual rather than the family and modeled the new system's

benefits and obligations on what low-paid families off welfare could expect.

Serious efforts to enforce work in the Badger State began in the mid-1980s, unusually early. After a decade of change that included multiple federal waiver programs, Wisconsin implemented Wisconsin Works (W-2) in 1997. The new system combines the most severe work tests in the nation with unusually generous support services for the entire working poor population. The combination has driven the cash welfare rolls down by about 90 percent and work levels up from already high levels.[5] In both 1997 and 1999, Wisconsin recorded the highest work levels among low-income parents of any of the 13 states in the Urban Institute's National Survey of America's Families.[6] We cannot attribute that strictly to Wisconsin's welfare policies, but they probably contributed.

The political basis of the Wisconsin reform was an unusual concordat in the state legislature. In 1985–86, the welfare rolls crested at over 300,000 people—in a population of less than 5 million. Both parties agreed that dependency was a crisis demanding action. The two differed in approach, but they also focused on the same problem, and this drove them toward agreement on a work-based reform. Each gave up a central political stake in order to accomplish that. Democrats abandoned entitlement, agreeing to condition aid on serious work tests rather than distributing it according to need alone. But Republicans abandoned the ambition to downsize government, agreeing to massive expansions of the bureaucracy and support services. The reform emerged as conservative but progovernment, transcending normal partisan divisions.

The essence of this deal was struck as early as 1986, when the state began to build up welfare work programs—prior to Tommy Thompson's election as governor. Thompson and his aides were masterful in enacting the numerous reforms that followed, but they drew on broad support in both parties. In addition, community groups and urban politicians did not try to halt fundamental change, as they have done in some other states with large caseloads. They criticized details of the reform, but they accepted the essential need to refound aid for the working-aged on employment.[7]

The bureaucratic statecraft behind reform was, perhaps, even more impressive. Because of its early development of work programs, Wisconsin implemented the JOBS program early and well. Then, in the early 1990s, it refocused that program less on remediation and more on work, using a variety of funding incentives. It was already apparent that the high-performing counties in JOBS were those that enforced participation and actual work, so Madison acted to promote this style statewide.[8] Local officials also gave a lead. Administrators in Grant, Kenosha, and other counties crafted reform programs on their own. Some of these became models for state-level reforms. Other counties signed up to pilot various Thompson experiments.[9] The implementation of W-2 involved further innovations, including bureaucratic competition, extensive use of performance measures, and the privatization of administration in Milwaukee.

One might criticize the Wisconsin reform for a lack of policy analysis. Leaders proceeded sensibly on the basis of experience and past experiments, but only W-2 was planned in any depth. The state made little effort to evaluate its programs. One might also criticize W-2 for excessive severity. The new system took risks by driving too many people away from welfare too fast, and its strictures on education and training were probably excessive. The first implementation of the new system was also troubled, especially in Milwaukee. Fortunately, the system has since allowed somewhat more training, and the administrative problems have mostly been solved.

Overall, the Wisconsin reform was a triumph *for government*. The state vindicated a paternalist approach to poverty, showing what a combination of demands and new benefits could achieve. More important, it showed that an inspired regime can actually decide and execute such a policy. It thus opened a new vista for antipoverty policy. But unfortunately, few states are so masterful.

New York

Greatly in contrast to the Badger State, the Empire State has had considerable difficulty coping with welfare reform.[10] Five years after the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), the welfare rolls have fallen substantially, but there is still no fundamental change. Although stability might reflect an active preference by the state, it has, rather, resulted from political paralysis and serious administrative problems.

New York's central problem is a deep partisan division about how to handle welfare and poverty. Most Democrats and liberals in the state adhere to the ideal of entitlement, the idea that the poor deserve public support simply on the basis of need and without behavioral expectations. Republicans and conservatives aim mainly to cut social spending in order to deal with the state's serious budgetary problems. Neither side shows the magnanimity or creativity displayed in Wisconsin. The division matters because each party has long controlled part of the state government. A Democratic majority is entrenched in the Assembly, a Republican one in the Senate, while the governorship oscillates between parties. In Wisconsin, because of broad agreement on change, shifts in partisan control of the legislature made much less difference.

The impasse means that New York cannot set its own direction in welfare. In response to both the Family Support Act (FSA) of 1988 and PRWORA in 1996, New York was able to do little more than comply with new federal requirements. Some contentious issues, particularly how tough to be about work requirements, were delegated to the counties because they could not be resolved in Albany. Although some change has occurred at the local level, there is no consensus about direction.

Rudolph Giuliani, while mayor of New York City, aggressively sought to reduce the welfare rolls, and brought in a welfare director from Wisconsin, Jason Turner, to accomplish this. Turner's attempts to divert people from TANF and put many recipients in government jobs, however, earned nothing like the acquiescence seen in Milwaukee. Opposition from community groups, poverty lawyers, and local Democratic politicians has been intense, and press coverage was far more hostile than in Wisconsin. Outnumbered conservatives support the Mayor with equal stridency.[11] The city has rebuffed all requests to research its program, so fearful is it of academic criticism.

New York also faces serious administrative problems, especially in New York City. The bureaucracy is large and well funded by national standards, but it is also passive. Administrators do not take the same initiatives seen in Wisconsin because they know political support may be lacking. They await direction from elected leaders, but since the parties are so divided, this is seldom forthcoming. The capability of personnel in the bureaucracy, although substantial, falls short of the impressive level seen in Wisconsin. Agencies also are more resistant to management improvements and accountability measures. Whereas Madison rebuilt welfare administration with only minor resistance from organized labor, New York's unions deter managers from comparable changes.

One long-standing problem has been an inability to build a job search requirement into welfare. Traditionally, New York counted upon the Employment Service to provide this aspect of welfare work programs. In the 1980s, after disappointment with the performance of the service, the welfare department took total control of work programs, a shift confirmed under JOBS. But lacking the Employment Service's performance measures for job entries and other outcomes, welfare could never deliver more than the activity levels demanded by JOBS. In New York City, Turner has tried to build up performance management in welfare. He also reorganized local welfare offices as "job centers" and brought in private contractors to conduct job clubs. But these changes have been slowed by lawsuits. New York has not approached the thorough integration of the assistance and work missions seen in Wisconsin's W-2.

National patterns

The cases of Wisconsin and New York, it turns out, can be generalized to much of the nation. It is difficult to speak definitively about welfare reform nationwide, because the task of studying what all 50 states are doing would be overwhelming. However, the Urban Institute project, Assessing the New Federalism, includes case studies of 13 states, and the Rockefeller Institute at the State University of New York is following reform implementation in 21 states.[12] From other sources, I have information on Oregon as well.[13] The case studies of these states—24 in all—permit one to say something about how localities have handled the welfare issue. And it is remarkable how many of these states fall into patterns similar to those of Wisconsin or New York.

One group has handled reform more or less in the Wisconsin manner. These states were able to agree about what to do by focusing on welfare as a policy problem and adopting work-centered reforms. Change in these states often occurred in advance of legislation in Washington. Legislators acted with restrained partisanship and also on the basis of experience, drawing often on their own waiver programs or other homegrown experiments. Policy decisions had some coherence and were not merely compromises among parties or interest groups. Administrators then implemented the reforms with, at most, limited problems. The final result was a new welfare policy that truly represented the will of the community. Among the UI or Rockefeller states, this group includes Kansas, Michigan, Minnesota, Oregon, Tennessee, Utah, and Washington, as well as Wisconsin.

In a second group of states, politicians were more divided about reform. Change began later and was driven more by the outside pressure of federal reforms than by internal initiatives. Debate about what to do was long, partisan, and contentious, and decisions left bitterness in their wake. In some of these states, black leaders or community groups disowned reform as racist or unacceptable. Implementation was also troubled by entrenched agency or local interests. Typically, the welfare and labor departments battled for the control of welfare work programs, or counties resisted direction from the center. Although change occurred, it was usually incremental and, more important, conflicted. Consensus was lacking. One could not say that government had truly achieved a direction. Among the UI or Rockefeller study states, this group includes California, Colorado, Massachusetts, New Jersey, and Ohio, as well as New York.

A third group comprises states that had to frame a serious welfare policy for the first time. These localities never previously had much policy other than to set AFDC benefit levels and, with them, the potential size of the caseload. Other details they abandoned to federal

policymakers. Dependency was limited mostly by setting benefit levels low or allowing them to decline with inflation, not by attempting to promote self-reliance within welfare. These states were less likely than others to pursue waiver programs.

When these states acted, policy often arose from the personal ideas of governors or other politicians, without the institutional basis provided elsewhere by prior experiment or party positions. In some cases, mistakes were made, requiring hasty corrections. Administratively, too, prior development was rudimentary. Welfare work structures had been set up mainly to comply with federal requirements, not to manage the caseload. Only slowly, under pressure from FSA and TANF, with their work participation standards, did these states begin to try to enforce work effort within welfare. Among the UI and Rockefeller samples, these states include, for example, Alabama, Florida, Georgia, Mississippi, North Carolina, and Texas.

To summarize, one might say that in the first group of states, the capacity to form and execute a public will about welfare was fully realized, in the second it was partial and conflicted, and in the third nascent.

Key issues

As one reads these case studies, three problems emerge as uppermost in the realization of reform. The first is *legislative decisions* concerning how tough to be about work expectations. The big issue is no longer benefit levels but rather how soon to require that welfare adults go to work. Legislatures tend to divide over time limits, over how much remediation to allow in place of work, and especially over sanctions. When a case violates work standards, TANF allows states to choose whether to exclude only the uncooperative adult from the grant or to end it entirely. States that are whole-hearted about work typically choose the full-family sanction. The more ambivalent states choose a partial sanction. Because the latter states often pay high benefits, many of the cases sanctioned simply accept the lower grant rather than meeting the work test or leaving welfare. This has kept California and New York from getting their large caseloads to take the work demand seriously. But it reflects these states' deep divisions about the welfare problem.

A second challenge is *program integration*. Most states are trying to simplify their administrative structures, at least as clients encounter them. They are trying, not only to raise child care funding, but to merge the various child care funding streams—some centered on welfare work and some not. This way, families do not have to shift programs as they leave welfare for work. The change seems vital to making subsidized care available to the working poor off welfare. Some states have managed this, whereas others have been defeated by entrenched existing programs. A similar problem is combining various health programs for the welfare and low-income populations. A third instance is simplifying the child support enforcement structure, which in many states is divided between the welfare agency and the courts.

A third crux is *control of welfare work programs*. Historically, control has oscillated between state welfare and labor departments. The former have run cash assistance programs, including AFDC and now TANF, whereas the latter have run the Employment Service and federal training programs funded by the Workforce Investment Act (WIA). The Work Incentive (WIN) program, which was the earliest work program attached to AFDC, was run largely by labor departments, on the view that this agency was the more committed to the work mission. But labor department routines were built around serving voluntary, mostly male job seekers. These departments were commonly uneasy about enforcing work, as the welfare work mission required, and also about giving welfare families the special services and attention they often need to work. In short, they were unwilling to be paternalist. So starting with the Reagan reforms of 1981, federal policymakers shifted control of work programs to welfare departments, a process described above for New York. JOBS, the successor to WIN, was a welfare operation, and the employment agencies had no assured role, except as contractors to welfare departments.

Currently, however, many states are turning control of welfare work programs back over to labor departments. This is partly because WIA obligates labor departments to merge their own programs in local "job centers" that will serve all clienteles in common. Policymakers reason that it is logical to include welfare work under the same aegis as well. And with half of recipients departed the rolls, mostly for employment, it is easy to think that now the voluntary structure of the employment agencies is sufficient to serve them.

But this bit of streamlining seems to be a mistake. Not only do labor departments have to develop new routines to serve welfare, but control of welfare work often shifts from the state to the local level, where workforce investment boards oversee the WIA structure. The changeover has sown great confusion in a number of states, among them Florida, Michigan, New Jersey, and Texas. I also believe that poor families continue to need special oversight and assistance if they are to work, even off welfare. That is still a mission that most regular employment agencies perform poorly. It seems better to let welfare agencies—or their contractors—continue to run welfare reform and postwelfare services, at least locally, even if the operation is put under a work-labeled umbrella agency at the state level in order to honor the work mission. This was the solution in both Wisconsin and New York.

Political culture

The above patterns are deep-seated, not confined to welfare or even social policy. Thirty-five years ago, the political scientist Daniel Elazar published an analysis of state political cultures that remains highly useful today.[14] He argued that there were three strands in national political culture, which he called moralistic, individualistic, and traditionalistic. All were found everywhere in the nation to some extent, but states differed in which was strongest.

In the states where moralism dominated, politics had a strong public interest orientation. Politicians were expected to focus on problem solving rather than partisanship. Although they might disagree, all sides were expected to pitch their proposals to the community as a whole, rather than defending narrower interests. A second attribute of moralism was strong public administration, because this culture affirmed strong government. The civil service was merit-based and drew capable individuals into public service. The presiding spirit of moralism was high-mindedness. This culture prevailed in northern New England, the upper Midwest, and parts of the West and Northwest.

In individualistic states, in contrast, government was seen more as advancing the private interests of groups and citizens. Politics, like the economy, was an arena in which people strove to advance themselves. Strong parties represented coalitions that hoped to benefit from their election. Policymaking involved practical compromises among parties and interests and was less often rationalized in terms of a public interest. Government was large, but administrative quality was lower. Public service was seen as a secure career rather than a calling, and appointments often hinged on patronage. The presiding spirit of individualism was tolerance. This culture dominated the Mid-Atlantic states and the lower Midwest.

In traditionalistic states, politics was more elitist and government played a more limited role, chiefly to defend society against fundamental changes. Party divisions were less important than personalized factions that arose within a single governing class. Public administration was limited and distrusted. The presiding spirit was the defense of traditional values. Traditionalism was found mainly in the South and Southwest. Indeed, its chief original purpose had been to maintain the Southern racial caste system.

Elazar traced the roots of these subcultures chiefly to the ethnic and religious origins of the states. The moralistic states were first settled by Protestants from Britain, Scandinavia, and Germany who believed in self-government and held demanding views of personal and public morality. The individualistic region was settled by diverse groups from Britain, Germany, and elsewhere in Europe who accepted democracy and capitalism but had more self-centered goals. The South was settled by more traditional elites who came to preside over a slave-based agricultural economy. The differences were enduring because later migrants to all these regions tended to adopt the same attitudes. The cultures are also distinct from other divisions in opinion such as political partisanship or liberalism versus conservatism.

The remarkable thing is how well Elazar's scheme predicts which states have dealt well with welfare reform and which poorly. First, let us define performance in process terms, to mean how well a state handled reform, whatever its goals were. Politically, high performance means a state acted rationally and cohesively according to its own goals, avoiding obvious missteps or debilitating divisions. Administratively, high performance means that officials "owned" the reform programs, had the resources to carry them out, and minimized internal divisions.

By these two standards, most of the states that have performed best in welfare reform fall within Elazar's moralistic group. The states in the middle of both distributions tend to be individualistic, whereas the low performers tend to be traditionalistic. There are degrees and exceptions, of course. The moralistic states did not do everything well. I have mentioned Wisconsin's shortcomings, and Michigan was one of the states that unwisely gave control of welfare reform programs to the employment agencies. California, although rated by Elazar as moralistic, today has such serious divisions about poverty that it falls well down in my rankings. Conversely, traditionalistic Tennessee performed well.

A more policy-oriented assessment is also possible.[15] I have modeled differences in state welfare caseload changes from 1989 to 1994, when caseloads generally rose, and from 1994 to 1998, when they mostly fell. These analyses show that states generally had higher growth or less fall in welfare caseloads if they had higher welfare benefits than the average, alongside several social and economic determinants. They also had less growth or more fall if they enforced work and child support more vigorously than the average and if they adopted full-family sanctions. These policy features, in turn, correlate with various background features of government and politics, including the Elazar subcultures.

Typically, the individualistic states have high benefits and have adopted only moderate sanctions, a combination that reflects their ambivalence about welfare reform. The traditionalistic states have both low benefits and strong sanctions, reflecting their time-honored approach to limiting dependency—simply by keeping people off the rolls. On one side you have the maintenance of entitlement, on the other the denial of any broad responsibility for the poor. The moralistic states, however, typically combine high benefits with strong work and child

support enforcement. That is, they affirm a strong government role while denying entitlement. They seek to help the poor while also demanding that the adults help themselves.

Each tradition contributes something to the process of welfare reform. In part, that process is about compromising opposed interests, as individualism emphasizes. In part, it is also about maintaining established values, such as the work ethic, as traditionalism emphasizes. But above all, it is about combining support for families with work expectations. That is the goal that all the states say they have adopted, to one degree or another. The objective is also fiercely popular. Large majorities of Americans reject traditional welfare because of its permissiveness, but still think that needy children and families deserve aid, and this view does not differ much by subgroup.[16]

To realize such policies takes governments able to run complicated social programs that define and enforce social values while also providing support. This is where the moralistic states excel. They appear most able to decide a public will about these difficult issues and then to carry it out with efficiency and conviction. That is the ultimate sense in which successful welfare reform depends on good government. Welfare reform is finally an exercise in statecraft. To succeed at it requires a difficult elaboration of public policies and structures. To do this calls upon deep reserves of belief in the public enterprise. That is just what the moralistic states have.

Time has overtaken the approaches to welfare that the other states favored. In the individualistic states, aid was seen as a payoff to an important constituency; hence the comfort of this tradition with entitlement. In the traditionalistic South, to maintain social discipline meant to minimize dependency and force the needy to fend for themselves. But these are just the attitudes that recent decades have taught the nation to question. After the burgeoning of dependency and related social problems in the nation's cities, aid given without questions regarding the behavior of the recipients has become indefensible. But after civil rights and welfare rights, and with today's levels of affluence, the idea of doing little for the poor is equally unpalatable. On both policy and political grounds, governments everywhere in the nation are driven to embrace the difficult goal of combining aid with requirements. The goal is to fuse help and hassle in a paternalistic regime. In that endeavor, the moralistic states, chief among them Wisconsin, have profound advantages.

Improving government

But if political cultures have deep historical roots, as Elazar suggests, how can states move toward a more moralistic style? Elazar himself thought that the culture as a whole was becoming more moralistic, albeit slowly. The civil rights era, in destroying Jim Crow, dealt a severe blow to the traditionalistic culture, which was now in retreat. Individualism, for its part, had had to accept the welfare state and thus become less distrustful of big government. In later editions of his book, through 1984, Elazar rated some states as more moralistic than he had before, although the dominant cultures he attributed to them did not change.[17]

In the 1960s, federal policymakers tried to inculcate a more high-minded ethos in state welfare agencies by requiring that they hire more college graduates as a condition of federal funding.[18] That effort was downplayed in the 1970s and 1980s, and the legal basis for it was repealed in PRWORA. Today, with devolution, Washington would never attempt to promote a moralistic style overtly. Yet it probably is still true, as Elazar said, that long-term trends favor greater high-mindedness. One force in that direction is rising education levels in the populace and among officials, another the rising role of public interest groups in national (and often state) policymaking, a third the influence of experts and researchers, particularly in social policy. All these trends promote respect for broad interests and on-the-merits argument as the basis for policy decisions, while deprecating appeals to narrower interests or values.

The irony is that welfare reform itself may be a leading force in this direction. For the past decade, probably no domestic issue has received more public attention than how to recast AFDC. The press—itself a strong moralizing force—gave wide coverage to early experiments in welfare reform in California, Wisconsin, and elsewhere. These in turn helped trigger the promises by Bill Clinton in 1992 and by congressional Republicans in 1994 to end traditional welfare. These were the key commitments that led to PRWORA.[19] And since the enactment of TANF, equal attention has flowed to the effects of reform. States have produced studies of those leaving welfare, and there is competition among them to generate the largest and best effects. All this has forced them to approach reform in a moralistic style—as a problem in policymaking and administration. Ongoing national attention to the poverty problem will have the same effect in future. Thus welfare reform may help to generate its own mandate. ■

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[1]L. Mead, "Welfare Employment," in *The New Paternalism: Supervisory Approaches to Poverty*, ed. L. Mead (Washington, DC: Brookings Institution, 1997), chap. 2.

[2]S. Scrivener, G. Hamilton, M. Farrell, S. Freedman, D. Friedlander, and others, *National Evaluation of Welfare-to-Work Strategies: Implementation, Participation Patterns, Costs, and Two-Year Impacts of the Portland (Oregon) Welfare-to-Work Program*, U.S. Department of Health and Human Services and U.S. Department of Education, Washington, DC, May 1998.

[3]M. Meyers, B. Glaser, and K. MacDonald, "On the Front Lines of Welfare Delivery: Are Workers Implementing Policy Reforms?" *Journal of Policy Analysis and Management* 17, no. 1 (Winter 1998): 1–22.

[4]L. Mead, "Welfare Reform in Wisconsin: The Local Role," *Administration and Society* 33, no. 5 (November 2001): 523–54. Resistance to work first also occurred in several of the case study states referred to below, for instance Arizona, California, and New York.

[5]Among mothers who were on AFDC in 1990, 57 percent worked in that year, rising to 65 percent by 1998, according to S. White and L. Geddes, *Economic Lessons for Welfare Mothers*, Wisconsin Policy Research Institute, Thiensville, WI, February 2001, pp. 5–7.

[6]*Snapshots of America's Families II*, Urban Institute, Washington, DC, October 24, 2000.

[7]L. Mead, "The Politics of Welfare Reform in Wisconsin," *Polity* 32, no. 4 (Summer 2000): 533–59.

[8]L. Mead, "Optimizing JOBS: Evaluation versus Administration," *Public Administration Review* 57, no. 2 (March/April 1997): 113–23.

[9]Mead, "Welfare Reform in Wisconsin: The Local Role."

[10]The following is based largely on my experience consulting with welfare officials in Albany and New York City. See also L. Mead, "Kicking New York's Dependency Habit," *City Journal* 1, no. 4 (Summer 1991): 41–49.

[11]Heather MacDonald, "Welfare Reform Discoveries," *City Journal* 7, no. 1 (Winter 1997): 14–31. This journal is published by the Manhattan Institute, a prominent conservative think tank in the city.

[12]The Urban Institute states include Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. The Rockefeller Institute states include Arizona, California, Colorado, Florida, Georgia, Kansas, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Rhode Island, Tennessee, Texas, Utah, Washington, West Virginia, and Wisconsin. For the UI studies I made use of the baseline reports, which usually cover up to around 1997. For the Rockefeller studies, I read the first reports, also covering up to around 1997, or summaries of these materials appearing in C. Weissert, ed., *Learning from Leaders: Welfare Reform Politics and Policy in Five Midwestern States* (Albany, NY: Rockefeller Institute Press, 2000), and S. Liebschutz, ed., *Managing Welfare Reform in Five States: The Challenge of Devolution* (Albany, NY: Rockefeller Institute Press, 2000). The assessments I make about the high or low performance of states based on these sources are entirely my own. The UI and Rockefeller projects do not make such judgments.

[13]M. Buis, "Taking States Seriously: Welfare Reform Implementation in Massachusetts and Oregon", Ph.D. Dissertation, Brandeis University, Department of Politics, Waltham, MA, 2001; Scrivener and colleagues, *National Evaluation of Welfare-to-Work Strategies: Portland (Oregon)*.

[14]D. Elazar, *American Federalism: A View from the States* (New York: Crowell, 1966). Later editions of this book were published in 1972 and 1984.

[15]The following is based on two articles by L. Mead, "Caseload Change: An Exploratory Study," *Journal of Policy Analysis and Management* 19, no. 3 (Summer 2000): 465–72, and "Governmental Quality and Welfare Reform," paper presented at the conference of the Association for Public Policy Analysis and Management, Seattle, WA, November 2000.

[16]M. Gilens, *Why Americans Hate Welfare: Race, Media, and the Politics of Antipoverty Policy* (Chicago: University of Chicago Press, 1999), chaps. 2, 8.

[17]Elazar, *American Federalism*, 3rd ed. (New York: Harper & Row, 1984), pp. 132–37.

[18]M. Derthick, *The Influence of Federal Grants: Public Assistance in Massachusetts* (Cambridge, MA: Harvard University Press, 1970).

[19]R. Weaver, *Ending Welfare as We Know It* (Washington, DC: Brookings Institution, 2000).

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Reauthorization and the data infrastructure: Can we do better this time around?

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The reforms of the nation's major social assistance programs during the 1990s fundamentally changed the way support is provided to low-income families with children. As policymakers consider the reauthorization of the reform legislation, there is little doubt that the general direction of the reforms—the promotion of work and the end of entitlement to assistance—will continue into the future. Besides focusing on funding levels for the renewed block grants to states that are at the center of the reforms, policymakers may consider further changes in policies to promote employment retention and advancement, reduce barriers to work, build strong families, and improve the well-being of low-income children.

Whether policymakers choose to make large or small changes in the 1996 legislation, a data and information system must be fully in place to continue current evaluation efforts and to prepare to evaluate the effects of further changes that Congress might make or that states might make on their own. Whether such a data and information system, a "data infrastructure," is currently in place and, if not, what improvements are needed, is the subject of this article. Among the questions we address are:

- How has the existing data infrastructure performed in supporting monitoring and evaluation research to date?
- As Congress begins to consider reauthorization, do policymakers have enough information about the effects on families of existing reforms to know which policies need to be changed and which kept the same?
- Are the available data adequate to monitor the well-being of low-income families over time and to determine how different policy components have contributed to that well-being? If there are any inadequacies, how should they be addressed? If there are no inadequacies, are the kinds of data currently available likely to be adequate for the future?

We conclude that the data infrastructure has been, at best, only modestly successful in supporting the types of research needed so that policymakers can be thoroughly informed about the effects of the legislation. Although the data infrastructure for welfare research is rich in many respects and the 1996 welfare reform legislation itself set up new and innovative data collection systems in several important areas, the coverage, quality, and availability of the current datasets still fall far short of what the United States as a society should demand. In part because the data are inadequate, there is, indeed, almost no good research on the effects of some of the key reforms that Congress is likely to consider in its reauthorization discussion. Major improvements are needed if analysts are to be in a better position to provide good information to Congress and the public the next time reforms of welfare policy are considered.

Our findings and recommendations in this article are partly based upon those of a report issued in August 2001 by the National Academy of Sciences (NAS). The NAS Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs was established in 1998. Sponsored by the Assistant Secretary for Planning and Evaluation of the U.S. Department of Health and Human Services, the panel was composed of 13 experts in welfare evaluation research and data. In its report, *Evaluating Welfare Reform in an Era of Transition*, the panel concluded that there are serious limitations in the nation's data infrastructure for monitoring low-income populations and evaluating the welfare programs targeted to them, even though the research on welfare reform has been unprecedented in its scope, volume, and diversity. Limitations in both national and state-level surveys, in administrative data, and in what is known about the policies states have actually enacted and implemented hinder efforts to thoroughly evaluate reforms that have already been passed and to inform reauthorization debates over what other reforms should be considered.

The bulk of our article summarizes the panel's findings and its recommendations for improving the nation's data infrastructure. In some cases we go beyond what is in the report, which was a consensus report of the panel's members, and insert our own views. We are careful to note the places where we do so.

Although the panel is critical of the capabilities of the current data infrastructure, it recognizes that the data challenges are great and the nation's governmental data administrators are in most cases doing the best they can with limited resources. With a reform as broad and deep as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which not only changed the rules of the program but has also devolved control of

the program from the federal level to the state level, improving the infrastructure will not be an easy or a short task. We do think, however, that it is important to consider steps that can be taken to improve the data systems now, as Congress begins consideration of reauthorizing PRWORA.

Research questions of interest

The NAS panel recognized that data needs are necessarily driven by the questions to which policymakers and researchers need answers. The panel broadly outlined the questions of interest for welfare reform research by considering all types of major questions in which significant segments of the public and government have an interest.

The first distinction the panel made was between monitoring questions and evaluation questions. Monitoring questions are those that seek to track the well-being of the low-income population, or the well-being of families who have left welfare, are still on welfare, or have been discouraged or prevented from entering welfare. Answering these questions requires data over time on the relevant groups of interest. But because monitoring studies do not attempt to rigorously assess the contributions of different policies or other causes to how those outcomes have evolved, data structures can be relatively simple. The panel concluded that monitoring questions are an essential part of welfare reform research that have been and will continue to be important.

Evaluation questions, in contrast, impose greater demands on data because they require an assessment of cause and effect. To answer evaluation questions, researchers must determine a counterfactual—the value of an outcome that would have occurred if a policy had not been implemented. The counterfactual can then be compared to the value of the outcomes that have occurred after the policy is actually implemented. One approach to answering evaluation questions is to use random assignment studies. The panel urged that such studies be continued and in fact increased in the future for the analysis of certain types of questions. But it also concluded that such studies have both inherent and practical limitations that have permitted them to answer only a restricted set of questions so far. Nonexperimental methods must necessarily be a major part of the evaluation toolkit, and these require the right type of high-quality data.[1]

The panel determined that there are three broad types of evaluation questions in which different audiences are interested: (1) What are the overall effects of welfare reform, taking the entire bundle of changes in policies, programs, and practices? (2) What are the effects of individual, but still broad, components of welfare reform (e.g., work requirements, sanctions, time limits, family caps)? (3) What are the impacts of individual, detailed strategies within each of the broad components (e.g., type of work strategy, specific cash assistance level, nature of sanction policy)?

The panel concluded that the amount of research that has been devoted to these evaluation questions has been considerably less than that devoted to monitoring, and that this represents a misallocation of research attention. In addition, it concluded that most evaluation research had concerned itself with the first and third questions, that is, with the overall effects of welfare reform and with the effects of individual detailed strategies. There has been very little evaluation of the broad components of reform.

Types of data

There are five types of data that have been and will continue to be useful for these monitoring and evaluation questions. These are (1) national survey data, (2) state survey data, (3) administrative datasets, primarily at the state level, (4) qualitative data, and (5) data on policies actually adopted. We will discuss each of these in turn.

National survey data

The major national household surveys which are useful for welfare reform research include the Survey of Program Dynamics (SPD), Survey of Income and Program Participation (SIPP), March Current Population Survey (CPS), Decennial Census Long Form, American Community Survey (ACS), the Michigan Panel Study of Income Dynamics (PSID), the National Longitudinal Surveys (NLS), and the National Survey of America's Families (NSAF). These surveys cover a wide variety of time periods and contain different types of information; some are longitudinal and some are cross-sectional, and many have specific welfare reform content.

These surveys provide the basis for a rich analysis of welfare reform, at least for monitoring, if not for evaluation. But collectively they have limitations which have constrained their contributions to research on welfare reform. These include their survey content, response rates, statistical power for detecting impacts of reform, and timeliness in release.

Survey content is clearly central to obtaining information on welfare reform. All of these surveys contain, to at least some degree, basic information on income, family structure, welfare program participation, and other behaviors.[2] However, problems have emerged in most of these national surveys because the devolved program environment has made eliciting information on welfare program participation an increasingly complex task. Names of welfare programs vary from state to state and sometimes within states, noncash programs have grown to rival cash programs, and the very concept of welfare participation is more ambiguous than it once was. Each

of these factors makes it difficult for a national survey to ask the right questions about participation in what are now more localized programs. In addition, determining the actual services that those on welfare have received and the requirements, sanctions, and other regulations they have faced is even more difficult.[3] Limitations also exist in obtaining detailed monthly information on labor force participation and earnings of recipients in an era when turnover is quite high, and determining what barriers exist to employment—in health, transportation, and child care, to mention only three—is a particularly acute problem. These dimensions of current household surveys can potentially be greatly improved. The panel recommended regular and frequent review of national household survey questions regarding participation in welfare programs to ensure the surveys are up to date in capturing participation in state welfare programs. The development of mechanisms for regular communication between the Census Bureau, the Department of Health and Human Services, and the states to discuss how surveys can ask appropriate questions was also recommended.

Obtaining high response rates has been a major challenge in most of these surveys as well. Probably the most serious problem has occurred in the SPD, which is likely to suffer a 50 percent attrition rate over the life of its panel. But nonresponse problems are also present for the SIPP, the PSID, and the NSAF. Whether the nonresponse that has occurred biases estimates and when corrections for nonresponse can be made is a complex statistical question, but high rates of nonresponse create a prima facie layer of uncertainty about the quality of the dataset. There are ways to increase response rates by using better field procedures, incentive payments, and other mechanisms.

Statistical power for detecting the counterfactual effects of different policies is a serious problem for all datasets except the CPS and the ACS, which have the largest sample sizes of those listed.[4] A study prepared for the NAS panel by John Adams and V. Joseph Hotz concluded that the CPS has only barely adequate sample sizes for the detection of reasonable overall reform impacts using cross-state comparison methods, the most common method in the literature. Even the CPS has low power to detect the effects of individual broad welfare reform components—the second evaluation question of interest identified by the panel. Necessarily, the other datasets, which have much smaller samples than the CPS, have very little power for the detection of policy impacts.

Timely release has been a barrier to the use of many of the surveys for welfare reform research. The SPD, SIPP, and PSID have been released very slowly; only recently have post-1996 data which can be used to assess the impact of welfare reform become available. Often this is the result of insufficient resources and overworked staff given other priorities. Whatever the reason, the fact is that neither the SPD nor the PSID, and to a lesser extent the SIPP, have played a significant role in the generation of research findings on welfare reform and they are unlikely to do so in time for the reauthorization discussion in Congress.

Probably the most difficult issue is that of statistical power, which requires larger sample sizes. The ACS holds promise for this purpose, as do increases in CPS sample size. The other datasets will have to be used to answer a more limited set of questions or researchers will have to use alternative statistical techniques to circumvent the problem of low statistical power. Nevertheless, it is possible to address these problems. Much can be done to improve the ability of the household datasets to deal with the other issues we have discussed.

We believe that the dataset with the most potential for improvement at this stage is the SIPP, an issue that was not addressed in the NAS report. The major disadvantage of the SIPP is the limited length of its panels, but it does have many advantages. It has reasonably large sample sizes which can be increased by pooling across panels. It also has a monthly accounting time frame which more easily measures labor force and welfare dynamics, and which is begun anew periodically—allowing the incorporation of improved response rate procedures and survey content on a regular basis. With more attention and resources devoted in this direction, with a more timely release of data, and with increased sample sizes, the SIPP could become the overall best national-level dataset for welfare reform evaluation.

State surveys

State surveys are in their infancy and have so far contributed in only limited ways to welfare reform research. Historically, state governments have not conducted much survey research. This responsibility has been thrust upon them by the devolution of program responsibility—and, to a great degree, responsibility for research—down to the state and local levels. Conducting surveys of the low-income and welfare recipient populations, which is a difficult task requiring significant resources and high levels of expertise (as demonstrated by the experience of national household surveys) is a challenge for states. Most state surveys have taken place as part of studies of welfare "leavers," that is, families which have left the welfare rolls in the wake of welfare reform. Most of these have been telephone rather than in-person surveys and they have encountered significant problems of coverage, nonresponse, and survey content. Nevertheless, they represent a promising start.

Seeing a need for improvements in state-level surveys, the NAS panel organized a workshop on methods for improving state household surveys that brought together experts in survey methodology and state welfare program administrators and researchers. Numerous suggestions for improvements in data collection were made; all of

them are part of a forthcoming volume of papers from that workshop.[3] Given that devolution will surely continue past reauthorization, improved state ability to conduct surveys is a high priority. In its report, the panel recommended investments in building the capacity of states to conduct household surveys.

Administrative data

Administrative data, or data collected as part of the administration of programs and services, are increasingly being used for monitoring and evaluation. For welfare program research, administrative data from TANF, Food Stamps, and Medicaid are used to measure characteristics of recipients and their benefits, and Unemployment Insurance administrative data are frequently used to measure earnings and employment. Administrative data can provide valuable descriptive information about program participants for monitoring purposes and they are usually integral parts of experimental program evaluations. Because administrative data are only available for those who use a program, they are less often used in nonexperimental evaluations, unless they are linked with other data sources.

A key advantage of administrative datasets is that they are often quite large and dwarf the sample sizes of most surveys. They are also relatively inexpensive, available on the state level for analysis of state programs, and potentially available relatively quickly. Further, state program administrators usually have a great deal of knowledge about these datasets and are comfortable using them. However, administrative data are collected to run a program and are not readily available for use in research. Because coverage is limited to those who receive the program, such data are problematic when research questions concern broader populations of interest. The content of administrative databases is also limited to the few variables collected during the course of administering the program. Because of this, databases are often linked with other administrative databases or with coordinated survey data collections. Linking data is not always straightforward, however, and issues of confidentiality and access can be difficult.

When the goal is cross-state analysis, the comparability of administrative data across states is often a problem. Each government tends to define variables in its own way and to collect data in a form suitable to its primary goals. Yet cross-state comparisons are one of the most important nonexperimental evaluation methods, and pooled administrative data across states could solve the difficulties of sample size and statistical power noted above. For administrative data to be used in this way—to date, they have generally only been used for within-state studies—would require some coordination and cooperative agreements among the states to generate data that are sufficiently comparable to make this type of analysis feasible. State administrative data have great potential for studying welfare reform, but will need to be developed and supported for that potential to be realized. The panel recommended several capacity-building steps for state-level administrative datasets. In particular, states need technical assistance and funding to develop, clean, and improve the quality of administrative data systems. Such assistance is also needed to help states link separate administrative and survey datasets and to negotiate data-sharing agreements among agencies. The panel also recommended that the federal government should work with states to help build comparable data definitions and formats so that cross-state analyses can be conducted.

Program description data

Devolution has led to a flowering of local innovations in social welfare programs, and there is evidence that states are using their discretion to design welfare programs in many different ways. Specific information about the rules of each state's programs has, however, been slow to emerge. Such information is not only an outcome of interest in itself, since policymakers want to know what kinds of variation PRWORA has spawned, but is also necessary to evaluate which programs work and which do not. The absence of descriptive data on program rules has been a major limitation, especially for cross-state evaluation of welfare reform. The task is difficult because rules in each state and jurisdiction are complex. Further, the way rules are implemented in local offices may be particularly hard to ascertain and rules for programs other than TANF are also relevant. If high-quality data concerning program rules are to be collected, substantial resources must be committed.

The best data of this type have thus far been assembled primarily by private organizations, with limited help from the federal government and major assistance from the private sector. But private-sector support is episodic, and hence the projects have not always had a solid commitment to permanence. The panel concluded that collecting data on rules is a federal responsibility because of its general importance to all states and all members of the public and the research community. It recommended more federal support for systematic and continual collection of program description data.

Qualitative data

Although most of the recommended improvements are directed toward quantitative data collections, the panel also emphasized that qualitative data sources are a vital part of the data infrastructure. Qualitative data, whether ethnographic studies that seek to provide more detail on the lives of low-income families, or process studies that attempt to assess exactly how state programs are implemented, can provide added texture to what is known about the programs and the people upon whom they are targeted. The panel concluded that these data sources

have thus far been underutilized in research on low-income populations, but that the development of standardized documentation of data collection methods and more inclusive representation of groups and areas would improve this segment of the data infrastructure.

Conclusions

The enactment of PRWORA was accompanied by much public fanfare and media attention. Yet regrettably, more than five years after the legislation was passed, very little is known about the effects of many of its important components. A mature society like the United States should be expected to evaluate the effects of legislation that it passes and the policies that it enacts.

What further steps need to be taken to improve the nation's data infrastructure for evaluating the effects of PRWORA and any future policy changes? In addition to its recommendations regarding data collection methods, the panel recommended administrative changes in how these data are collected. Currently, no single federal statistical agency has the authority and responsibility to collect and develop data on low-income populations and the programs that serve these populations. Human services does not have a statistical agency comparable to the Bureau of Labor Statistics, the National Center for Health Statistics, or the National Center for Education Statistics. This lack of federal authority and leadership has been especially detrimental in a time when more coordination of data collection activities and development of data sources is needed to evaluate the multiplicity of state and local programs.

To begin to remedy this gap in authority, the panel recommended that a new or existing agency take over responsibilities to collect data needed for program monitoring and evaluation. The panel did not make recommendations about the form of that agency, but it did outline its responsibilities, including:

- Sponsorship of national surveys of social welfare programs and low-income populations.
- Development of administrative data for research purposes, including standard definitions and data formats; leadership in linking administrative data to other sources of data.
- Provision of technical assistance to states in data collection for monitoring and evaluation.
- Production of periodic reports on the utilization of social welfare programs.
- Leadership in developing data archives on topics for use in social welfare program evaluation and research.

Data for monitoring and evaluating social welfare programs will continue to be needed and will change as new legislation is passed and as programs change. A permanent data infrastructure must be built up so that it is in place for the next round of reform. We believe that reauthorization is an opportune time to begin on this task. ■

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[1]Monitoring questions are, of course, inherently a nonexperimental exercise and hence must also be built up from nonexperimental data.

[2]One problem, for example, is that only some of the surveys attempt to include information on child outcomes and even then not always with very extensive modules.

[3]These issues all pertain to eliciting a family's actual welfare experiences. A separate but related issue is determining the program rules that each family faces in its local area. None of the datasets has matched information on welfare program rules in the local area of residence to their surveys (except, that is, for crude state-level rules). Such matching would be a major improvement in the capacity of the data to address evaluation questions.

[4]We ignore the Decennial Census Long Form microdata, which we list only because of its potential. It has not been used to date because the 2000 data are not yet available.

[5]National Research Council, *Studies of Welfare Populations: Data Collection and Research Issues*, ed. M. Ver Ploeg, R. Moffitt, and C. Citro, Committee on National Statistics, Division of Behavioral and Social Sciences and Education (Washington, DC: National Academies Press, 2002).

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Welfare reform, employment, and advancement

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The idea that work is the gateway to self-sufficiency and the solution to poverty is a simple, powerful message. Work-based welfare reform aligns the structure of the safety net with the central values of Americans who are not on welfare. Indeed, it is difficult to see how the safety net for disadvantaged families could fail to embrace work when almost three-quarters of all women aged 21 to 64 are in the workforce. Work-based reform also builds on academic research—particularly early results from a California program, Greater Avenues to Independence—showing that families in welfare programs that emphasize immediate work make considerably larger short-run gains in family resources than do families in programs that invest more in skill development. It was perhaps inevitable, then, that one of the goals of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 should be to "end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage."[1]

The rhetoric of self-sufficiency is appealing, but it collides with an exceptionally difficult reality. To satisfactorily meet the goal of PRWORA, families must be able to find and hold jobs that allow them to nurture the physical and psychological well-being of the adults and children in the household. But the labor market skills of families on welfare are generally very weak. Among the nearly 55,000 welfare recipients in Wisconsin in July 1995, for example, 44 percent had less than a high school diploma. Nearly two-thirds had earned less than $2,500 in the two years up to July 1995, and only 17 percent had earned more than $7,500. Given that these families had, on average, more than two children, the ability of the adults to support the family at anything even close to poverty-line earnings was limited.[2]

The characteristics of families on welfare in Wisconsin mirror the characteristics of the welfare caseload nationally. In 1995, just before welfare reform, 42 percent of the adults in families that received welfare benefits at some point during the year had less than a high school diploma, and the overall employment rate of prime-age workers with less than a high school diploma was 68 percent. As the average educational attainment of workers increases over time and technological changes in the economy place an ever-increasing premium on skills, the employment and earnings handicaps facing low-skilled workers will only increase.

Given these facts, many were skeptical, as the reforms of the 1990s unfolded, that welfare recipients could get and hold jobs, absent major investments in child care, health insurance, transportation assistance, and training.[3] At least from the vantage point of the critics, the subsequent reduction in welfare caseloads, from a peak of 5.1 million families in March 1994 to 2.1 million families in March 2001, has been stunning. Some of this reduction has surely been the result of purposeful efforts to discourage eligible families from receiving benefits (so-called "diversion" efforts), but virtually everybody agrees that there have been far-reaching changes in the way states implement and run programs. These changes share a common feature—they emphasize work, and a large portion of the families who are no longer receiving welfare benefits are working.

Despite the programmatic changes in welfare policy, there nevertheless is considerable uncertainty about the underlying factors driving this steep decline in welfare caseloads.[4] The economy was very strong until 2001, creating more than 17 million new jobs and pushing unemployment rates to their lowest levels since 1969. Wages grew throughout the income distribution, as they did not during the economic expansions in the 1980s. In addition, there is the growth in a significant earnings support program for low-income families, the Earned Income Tax Credit (EITC), which is discussed in more detail later in this article. Real EITC benefits more than doubled over this period. The coincidental timing of welfare changes, the strong economy, and EITC expansions means that many more low-skilled people are working now than before.

Employment is an important first step for families trying to achieve self-sufficiency, but the earnings of most families who have left welfare in the 1990s are well below the poverty line, even many years after their exit. Hence, the degree to which work will be the primary antidote to poverty will depend on the ability of low-skilled people to maintain employment that, over time, offers a progression of incomes that allows families to be self-sufficient. The great challenge in antipoverty employment policy is to identify policies that help people keep jobs and increase earnings.

The next frontier in antipoverty employment policy

Skeptics worry that work-based welfare reform will just push low-skilled households into dead-end jobs, adding stress to already harried families. Single parents may have even less time to care for children and have additional work-related and child care expenses, while their labor market earnings may be little more than their previous welfare benefits. Supporters hope that most people will find jobs and that wages, even if low to begin with, will increase to a self-sufficient level with time.

Even with an exceptionally strong economy and rapid job creation, there is no doubt that the earnings of those leaving welfare are very low. Moreover, as any employer of low-skilled labor will attest, job turnover is very high. A considerable amount of prior research has examined earnings growth among families leaving welfare. Estimates range between 2 percent per year and 4.5 percent per year for real log wage growth.[5] For example, people induced to work by the Self-Sufficiency Project (SSP) in Canada experienced real log wage growth of about 2.5 to 3 percent per year. This growth rate is similar to rates for other workers, including the growth rate for control-group members in the SSP. A study of the SSP concluded "The slow rate of real wage growth for people who were induced to enter work by the financial incentives of SSP suggests a limited role for work experience to boost the earnings of welfare leavers."[6] Another study of the rate of wage growth for less well-educated women relative to other groups cautions that "work experience is not a magic bullet . . . evidence indicates that low-skilled workers will not have huge wage gains from work experience."[7]

For at least three reasons Wisconsin is a particularly good place to seek additional evidence about the antipoverty implications of employment for families leaving welfare. First, the state's economy was very strong over this period. Wisconsin's unemployment rate in 1995, for example, was 3.7 percent, compared to the national rate of 5.6 percent; in 1999 it was 3.0 percent, against a national rate of 4.2 percent. Second, Wisconsin's welfare reform program, Wisconsin Works (or W-2), was implemented well before other programs, so that the early Wisconsin experiences may be a harbinger of what families in other states may experience. Third, W-2 places great emphasis on work; to make work feasible, it provides more generous support for health insurance and child care than most other states. With aggressively work-oriented programs in place and a very strong state economy, the labor market experiences of people leaving welfare in Wisconsin are likely to be as good as we will find anywhere.

Researchers affiliated with IRP have studied the earnings of two groups of women leaving welfare in Wisconsin.[8] Among those who left welfare in the fourth quarter of 1995, average earnings for the year after they left were $9,108 (the median was $8,608). Average earnings rose to $10,294 in the second year after exit, and to $11,450 in the third year.[9]

So, three years after leaving welfare, most of these families still had average earnings significantly below the poverty line. Log wage growth was somewhat slower (between 1 and 1.5 percent) than in the studies mentioned above. Even if we incorporate earnings supplements from the federal and Wisconsin EITCs, only 37.4 percent of families that had left welfare in the fourth quarter of 1995 had after-tax (and after EITC) earned incomes exceeding the poverty line in 1998, despite the extremely strong Wisconsin economy.

For those who left welfare in the fourth quarter of 1997, the picture was less favorable: average earnings in the first year were $7,709 (the median was $6,662). The lower earnings of those in the second group of leavers are perhaps not surprising, since those remaining on welfare in 1997 appear somewhat more disadvantaged than those leaving in 1995. They were, for example, less educated; in 1997, 54.4 percent of recipients had less than a high school diploma, compared with 43.6 percent in 1995.

Data from California show a similar picture.[10] If we consider a representative sample of welfare recipients from four California counties, the earnings of those who left welfare in 1993 were essentially flat for the first three years after exit, averaging around $5,300. Five years after exiting, average earnings were only $8,051. Very similar figures apply to individuals who left welfare in 1995. If we instead look at the earnings of women on welfare in October 1992, their earnings increase over time, going from under $1,000 in 1992 (in 1998 dollars) to over $5,500 in 1998 (this is roughly 4 percent growth of real log wages). Earnings grew rapidly, yet they grew from a very low base, so that even six years after the date the sample was defined, average earnings were still far below the poverty line, despite the strong California economy.

The preceding studies of earnings focus exclusively on the earnings of *individuals*. At least two sources of additional resources may be available to *families*. First, although welfare benefits have sharply declined, other types of income- and asset-conditioned benefits are available. The 1996 PRWORA legislation made relatively minor changes to the food stamp benefits available to families with children.[11] Moreover, since food stamps is a federal program, state welfare policy changes might have been expected to have relatively minor effects on food stamp receipt. In fact, food stamp expenditures fell 37 percent between 1992 and 1999. This is far larger than the reduction in the percentage of people in poverty—15.1 percent over this period.

The Wisconsin data provide some perspective on the importance of food stamps in family budgets. In the first year after leaving welfare 57.4 percent of families received food stamps. The average food stamp benefit amount among recipients was $1,343. Three years after exit more than one-third of families were still receiving food stamps, with an average benefit among recipients of $1,170. Given the levels of earnings noted above, food stamp benefits are rarely large enough to raise the income of recipient families to the poverty line. Looking more broadly at trends in earnings and benefit receipt over the 1990s, we can see that, on average, families with low-skilled workers are now receiving less support through welfare and food stamps and have somewhat higher earnings, augmented with the earned income tax credit.[12]

The second income source for families could come from earnings of other family members. Older studies of welfare exits suggested that changes in *individual* income account for only 40 to 50 percent of exits from welfare.[13] To have a complete picture of the effects of welfare reform, analysts need information on other economic and demographic changes occurring in the family. But Unemployment Insurance records—the source of the income data that are used in the studies from Wisconsin and California—fail to include nonemployment income and income of partners.

This is a significant omission, but it is unclear just how economically important such sources of income are. Daniel Meyer and Maria Cancian found, for example, that five years after leaving welfare 64.2 percent of women still had incomes below the poverty line, but that when they took into account the broader family unit, only 40.5 percent had incomes below the poverty line. In a related calculation, however, Wendell Primus and his colleagues concluded that "for most single-mother families, including the income of unrelated male individuals does not materially change the picture drawn of a decline in overall disposable income between 1995 and 1997."[14] More needs to be learned about the role of this issue in assessing the level and trend in family well-being following welfare reform.

Despite this important caveat, it nevertheless appears that the earnings of people leaving welfare frequently do not exceed the poverty line, even several years afterward. Yet our data cover a period when the economy was very strong, and at least in Wisconsin there were significant state expenditures for work-supporting child care and health insurance programs. Families clearly need additional resources if they are to have incomes above the poverty line.

Enhancing self-sufficiency

Many issues arise in relying on "work-first" welfare reform strategies. Assuming that the existing evidence on the level and growth of earnings is broadly representative of the experiences of families on or leaving welfare, few families will earn enough to have incomes above the poverty line, even many years after leaving welfare. Other portions of the safety net, including housing assistance, food stamps, Medicaid, and school nutrition programs, could provide critical support for eligible families. Access to these benefits is sometimes made more difficult by the presence of earned income, even when earnings are well below income limits. Historically, Medicaid receipt was closely tied to AFDC eligibility, so families contemplating taking a job that would end AFDC eligibility would also lose health insurance for their children. Food stamp recertification procedures are considerably more stringent for families with earned income than they are for families without. Careful attention needs to be given to the way other safety net programs interact with work-based welfare reform.

Other types of support complement welfare reform and, in fact, are necessary to make it work. If mothers are to work, children need safe, reliable day care. If there are mismatches between the places people reside and the places with available jobs, effective transportation becomes a critical component of welfare reform. More broadly, a high-employment, growing economy is clearly helpful to low-skilled workers. Although monetary and fiscal policy debates sometimes seem far removed from the lives of the poor, the experience of the 1990s (and the 1960s) leaves little room for doubt that economic growth benefits low-skilled workers.

But even in a high-employment economy with generous work-conditioned child care, transportation, and health care subsidies, earnings of low-skilled workers are generally low. So the federal government and many state governments supplement earnings for low-income families through the earned income tax credit (EITC). The federal EITC provides a subsidy to earned income up to a specific income threshold and is adjusted for family size.[15] In 2001, taxpayers with one child could get a credit of 34 percent of income up to $7,140, for a maximum credit of $2,428, and taxpayers with two or more children could get a credit of 40 percent of earnings up to $10,020, for a maximum credit of $4,008.

In October 2001, fifteen states and the District of Columbia had EITCs as part of their state income taxes.[16] All but two are structured as percentages of the federal credit and use the same eligibility definitions. In New York, for example, the state EITC is 25 percent of the federal credit. Eleven of the state EITCs are refundable and most make the credit available to workers without qualifying children.

The EITC can clearly play an extremely useful role in enhancing self-sufficiency. Wisconsin's state EITC, for example, was developed with explicit reference to the higher incomes that are needed to keep families with

three or more children out of poverty. The three-tiered Wisconsin state EITC schedule equals 4 percent of the federal credit for taxpayers with one child, 14 percent for taxpayers with two children, and 43 percent for taxpayers with three or more children. The state credits in combination with the federal credit can be substantial. A family with three or more children earning $10,000 in Wisconsin, for example, could receive a combined state and federal EITC of $5,720, or a 57 percent supplement to their earned income.

All standard economic models predict that EITC increases will increase work, and studies using a variety of datasets and methodological approaches suggest that it also induces some people to enter the labor market who otherwise would not work. In a recent article, we examined the effect of EITC expansions in the 1990s on the employment of welfare recipients to gain a better understanding of the effects of the credit.[17] In 1994 EITC benefits were expanded, but more sharply for families with two or more children than for one-child families. If the EITC alters employment and earnings, all else being equal, employment rates and earnings of comparable one- and two-or-more-child families should begin to diverge from 1994 on, as credit amounts available to these groups of families diverge. We found that indeed they did, and that the EITC had an economically (and statistically) significant, positive effect on employment rates of adults from families that were on welfare in California during the 1990s.

Conclusions

Several things are suggested by this review. First, wage growth of low-skilled workers appears similar to that of workers with average skills, and neither group is likely to have huge wage gains from work experience. Second, data from Wisconsin show that the majority of households who have left welfare have earnings well below the poverty line several years afterward, even in a state that has an extremely strong economy and that has invested heavily in health and child care.

Because earnings growth rates appear quite low, families need additional income sources to have incomes above the poverty line. Food stamps supplement the incomes of many families exiting welfare. The federal EITC and, where they exist, state EITCs, also substantially augment incomes. Finally, given the difficulties of achieving self-sufficiency, policymakers might reasonably consider halting time limits for households that receive TANF benefits while also working extensively, but at income levels below the poverty line.

In competitive labor markets, workers are paid an amount equal to the value of their contribution to the business (in economists' jargon, this is the value of the marginal product of labor). If we would like to see workers get paid more, then a natural way to approach the problem is to try to enhance workers' skills. As skills improve, workers can demand higher wages.

Training programs to enhance the productivity of low-skilled workers have proliferated from the earliest days of the War on Poverty, but it is clear from even a brief review of the evaluation literature that training offers no easy solution for the poverty problem. Although useful lessons have been learned (see the article in this *Focus* by Melissa Wavelet and Jacquie Anderson), the benefit-cost ratio of most programs has been low. Nevertheless, a work-based antipoverty strategy must continue to seek cost-effective ways of enhancing the skills of low-income workers.

The characteristics and skills of adults in poor families (the "supply side" of the labor market) have drawn much attention in the antipoverty literature. But additional insight is gained by paying attention to the perceptions of the employers of low-skilled workers (the "demand side" of the labor market), as the article by Harry Holzer makes clear. Employers' perspectives are obviously essential for training programs, since these programs are specifically designed to impart skills that employers desire. But they also may provide valuable insights for structuring laws—to combat discrimination, for example—or for designing TANF programs.

Intermediaries are playing an increasingly important role in low-wage labor markets. In their article, David Autor and Susan Houseman point out that the temporary help industry may account for as much as 10 percent of employment in America, and that its role may be even larger in the labor markets of central concern to welfare reform. A fascinating issue is whether these intermediaries are able to enhance the quality of employer-employee matches, and hence promote better jobs, or whether they merely help to channel workers into dead-end jobs.

Work-based welfare reforms must contend with the fact that complete success, defined as all people working in jobs without public assistance and with incomes above the poverty line, is impossible. As the articles by Sandra Danziger and Kristin Seefeldt and by Sharon Ramey and Bette Keltner show, portions of the welfare population confront difficulties that make steady employment difficult even in ideal circumstances—and the environment experienced by the poor is often considerably less than ideal.

It is apparent from this and the following articles that many factors—training and skill formation, labor demand and perceptions of employers, intermediaries such as the temporary help industry, and the disabilities and characteristics of potential workers—interact to determine the employment outcomes of families on welfare.

Our challenge as researchers, policy analysts, and policymakers is to combine insights from these different aspects of our experience in promoting employment and career advancement so as to use available resources in ways that best enhance the well-being of poor families. ■

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[1]See Section 401 of H.R. 3734.

[2]Numbers in this paragraph come from M. Cancian, R. Haveman, T. Kaplan, and B. Wolfe, *Post-Exit Earnings and Benefit Receipt among Those Who Left AFDC in Wisconsin*, IRP Special Report 75, University of Wisconsin–Madison, January 1999, on the IRP Web site at < http://www.ssc.wisc.edu/irp/sr/sr75.pdf >.

[3]See, for example, R. Haveman and J. K. Scholz, "Transfers, Taxes, and Welfare Reform," *National Tax Journal* 47 (June 1994): 417–34.

[4]See, for example, the article by Ziliak in this *Focus*.

[5]D. Card, C. Michalopoulos, and P. Robins, "The Limits to Wage Growth: Measuring the Growth Rate of Wages for Recent Welfare Leavers," Working Paper 8444, National Bureau of Economic Research, August 2001. There is considerable evidence that empirical models of wage growth are best fit using a logarithmic function. Hence, analysts typically measure the growth of wages in logs rather than in levels. Growth in log wages of 2 to 4.5 percent implies very rapid wage increases in the level of wages at low incomes.

[6]Card, Michalopoulos, and Robins, "The Limits to Wage Growth."

[7]T. Gladden and C. Taber, "Wage Progression among Less Skilled Workers," in *Finding Jobs: Work and Welfare Reform*, ed. D. Card and R. Blank (New York: Russell Sage Foundation, 2000), pp. 160–92; Gladden and Taber also note that with similar growth in the log of wages, the level of wages becomes more unequal with age. L. Pavetti and G. Acs, "Moving Up, Moving Out, or Going Nowhere? A Study of Employment Patterns of Young Women and the Implications for Welfare Mothers," *Journal of Policy Analysis and Management* 20, no. 4 (Fall 2001): 721–36, also find little evidence that low-skilled women with children will easily move into jobs with additional labor market experience that allow them to have incomes above the poverty line.

[8]Cancian and others, *Post-Exit Earnings and Benefit Receipt*, and M. Cancian, R. Haveman, D. Meyer, and B. Wolfe, *Before and After TANF: The Economic Well-Being of Women Leaving Welfare*, IRP Special Report 77, University of Wisconsin–Madison, May 2000, on the IRP Web site at <http://www.ssc.wisc.edu/irp/sr/sr77.pdf >. In 1995, the poverty line for a two-person (parent-child) family was $10,030; it was $12,590 for a three-person family, and $15,150 for a family of four. In 1997, the poverty line for a two-person (parent-child) family was $10,610; it was $13,630 for a three-person family, and $16,050 for a family of four.

[9]All dollar amounts in this paragraph are in 1998 dollars.

[10]See V. J. Hotz, C. Mullin, and J. K. Scholz, "The Earned Income Tax Credit and Labor Market Participation of Families on Welfare," on the Web at < http://www.ssc.wisc.edu/~scholz/Research/JCPR-EITC_3-23-01_Germany_Draft.pdf >, March 23, 2001, for more description of the sample and data. Also see V. J. Hotz, C. Mullin, and J. K. Scholz, "Welfare Benefits, Employment and Income: Evidence from the California Work Pays Demonstration Project," on the Web at < http://www.ssc.wisc.edu/~scholz/Research/AEA_paper_version4.pdf >, for data on earnings growth for a sample of households on welfare in California in the early 1990s.

[11]There were significant reductions in food stamp benefits available to immigrants, some of which have subsequently been repealed, and restrictions for able-bodied single people.

[12]The Medicaid program has been expanded to provide more families with health insurance for children. See J. K. Scholz and K. Levine, "The Evolution of Income Support Policy in Recent Decades," in *Understanding Poverty*, ed. S. Danziger and R. Haveman (Cambridge, MA, and New York: Harvard University Press and Russell Sage Foundation, 2002), for additional details about trends in safety net spending in the 1990s and the antipoverty effectiveness of these programs across decades.

[13]See M. Bane and D. Ellwood, "The Dynamics of Dependence: The Routes to Self-Sufficiency," report prepared for the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, by Urban Systems Research and Engineering, Inc., Cambridge, MA, 1983. H. Rolston, "The Income of Former Welfare Recipients," unpublished paper, Department of Health and Human Services, Administration for Children and Families, September 21, 1999 emphasizes this point.

[14]D. Meyer and M. Cancian, "Economic Well-Being Following an Exit from Aid to Families with Dependent Children," *Journal of Marriage and the Family* 60, no. 2 (May 1998): 479–92; W. Primus, L. Rawlings, K. Larin, and K. Porter, *The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families*, Center on Budget and Policy Priorities, Washington, DC, August 1999.

[15]See V. J. Hotz and J. K. Scholz, "The Earned Income Tax Credit," Working Paper 8078, National Bureau of Economic Research, 2000, for a comprehensive discussion.

[16]See N. Johnson, "A Hand up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2001," Center on Budget and Policy Priorities, Washington, DC, December 2001, on the Web at < http://www.cbpp.org/10-18-01sfp.htm >.

[17]Hotz, Mullin, and Scholz, "The Earned Income Tax Credit and Labor Market Participation of Families on Welfare."

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Promoting self-sufficiency: What we know about sustaining employment and increasing income among welfare recipients and the working poor

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The latter half of the 1990s saw unprecedented declines in state welfare rolls and increases in employment among poor, single-parent households. Yet even during a sustained period of low unemployment, many families formerly on welfare were stuck in low-wage jobs and struggling to make ends meet. As unemployment rises and the economy slips further into a recession, former welfare recipients and the broader low-wage working poor are especially vulnerable to layoffs and longer periods of joblessness. But the work requirements and time limits on cash assistance embedded in the welfare reforms of the 1990s make continued employment a necessity and welfare no longer a reliable recourse in emergencies.

The prospect of rising unemployment and the changed nature of cash assistance underscore the critical need for effective strategies to help current, former, and potential welfare recipients sustain employment and increase their earnings. Identifying promising strategies is certain to be central to the debates over the reauthorization of Temporary Assistance for Needy Families (TANF). This article seeks to outline what we currently know about factors that help sustain employment and increase income, strategies for creating retention and advancement services, and the future direction of research in this area.

The policy and economic context

Welfare policies encouraging work have existed on paper since the late 1960s, but were not broadly implemented by most states until the 1980s. The focus on work was intensified by reforms that began with federal waivers in the early 1990s allowing states to reshape their Aid to Families with Dependent Children (AFDC) programs and culminated in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which abolished AFDC and created the TANF block grant. These controversial initiatives expanded mandatory work requirements, increased penalties for noncompliance, and instituted a time limit on federally funded cash assistance.

These policy changes and the record-low unemployment of the later 1990s spurred a dramatic decline in the nationwide welfare caseload and a parallel increase in employment among single mothers. The rate of labor force participation among women who received welfare in the prior year grew from 30 percent in 1989 to 57 percent in 2000.[1] In the face of this evidence, the public debate over welfare has shifted focus from an earlier emphasis upon the possible consequences of time limits to the challenge of how best to support low-income working families who had left welfare (or never received it).

For many women, the path from welfare to work leads to unstable employment and low wages that contribute to persistent poverty and high rates of welfare recidivism. As a group, those who leave cash assistance for work tend to have low retention rates, and employment is often intermittent, at nontraditional hours (evenings, weekends), and without a fixed schedule.[2] National studies from the mid-1990s have found that 62–75 percent of those who left welfare worked at some point within one year after exiting, but only 35–40 percent worked in all four quarters; moreover, 23–35 percent of leavers returned to welfare within one year.[3] The jobs former welfare recipients obtained were often of poor quality, without benefits, and many were not receiving transitional benefits for which they were eligible, such as food stamps, subsidized child care, and Medicaid. These are reasons that welfare-to-work programs have usually failed to raise family income, despite their success in increasing work and reducing welfare receipt.[4] Welfare recipients, it seems, have been leaving welfare and joining the ranks of the working poor.

Changes in the larger low-wage, low-skilled labor market provide further insight into the employment trends among former welfare recipients. Long-term structural changes in the U.S. economy have reduced the number of "good" jobs available to workers with less than a college education. Between 1979 and 1997, the percentage of all full-time, year-round workers who earned hourly wages that would leave a family of four below 75 percent of the federal poverty line increased by over threefold (4.2 percent to 14.4 percent). During the same period, the inflation-adjusted, average hourly wages of workers without a college education fell by 12 percent, and those of workers without a high school diploma fell by 23 percent. Furthermore, low-wage workers are increasingly in "contingent" jobs that seldom provide benefits or opportunities for advancement and, by some measures, job security has declined.[5]

In addition, some studies suggest, job advancement among low-wage workers is limited. One study examined women's transitions from "bad" to "good" jobs during their twenties. A "good" job was defined as a job that paid $8.00 or more per hour (1993 dollars) for 35 or more hours per week. The study found that less than half of high school dropouts (47 percent) ever worked in a good job between ages 18 and 27 (compared to almost three-quarters of women in general) and that only 15 percent of dropouts worked steadily in good jobs by age 27 (compared to about 40 percent of women in the overall sample). The average woman did not advance quickly: she took four years to transition from a bad job to a good one; one-quarter took six years.[6]

Although wages for the less skilled grew in the late 1990s, future wage growth is uncertain as the economy slows and unemployment rises. According to the Bureau of Labor Statistics, the unemployment rate rose sharply to 5.4 percent in October—its highest level since December 1996. In addition, not since May 1980 has payroll employment declined as much as it did in October—415,000 layoffs. Low-wage labor markets are particularly vulnerable to layoffs, and recent hires are often the first to lose their jobs. Individuals employed in service jobs such as hotel and retail are particularly under threat, since service employment has suffered the largest one-month job decline in the history of the series, which dates back to 1939—111,000 jobs.[7]

The combined effects of welfare-to-work policies, declining wages for less-skilled workers, and weakening labor demand have made it all the more urgent to deliver effective employment retention and advancement services. Gaining stable work experience and developing new skills are crucial if low-wage workers are to ward off long-term unemployment or quickly find reemployment.

Policy and programmatic responses: Strategies for serving welfare recipients and the working poor

For many poor working families, low wages alone may be a major barrier to employment retention: these jobs make it hard to pay for necessities like rent, child care, and transportation, and the consequence may be housing instability, job loss, and welfare recidivism. Over the last decade, Congress has significantly expanded many of the supports for working families, particularly Medicaid and the Earned Income Tax Credit. Other necessary supports, such as subsidized child care and affordable housing, are not always available to those in need.

In addition to federal work supports, some states have tested whether earnings supplements (e.g., earnings disregards or cash payments to increase the household income of working families) contribute to stable employment. Other states have implemented postemployment services that continue to support welfare recipients who leave for a job. These services range from troubleshooting on-the-job conflicts, connecting the individual to transitional support services such as child care subsidies, and career planning to identify the next better job. Creating services for welfare recipients as they enter the labor market and for those struggling to advance in it can provide critical support toward economic self-sufficiency.

Some families may need additional help sustaining employment because of limited skills, learning disabilities, or other personal issues such as substance abuse or mental health problems. Welfare recipients with multiple barriers, or the hard to employ, need a different range of services to sustain employment. A recent analysis of 20 welfare-to-work programs revealed that *increases* in earnings as a result of these programs were similar for the most disadvantaged sample members (defined as long-term welfare recipients with no high school diploma and no recent work experience) and for other less disadvantaged sample members. However, the most disadvantaged group had about one-sixth the earnings of the least disadvantaged group, earning an average of only $1,000 per year.

These more disadvantaged families may at first find jobs, but they are more likely to return to the welfare rolls, to be sanctioned for nonparticipation, or to hit the time limit on cash assistance. For this population, many states and local areas are focusing more on removing barriers (e.g., through treatment for substance abuse and basic skills training) and keeping jobs (e.g., through supported work programs and intensive, postplacement follow-up).

Predictors of labor market success

Some recent research attempts to understand the importance of the personal and job factors affecting labor market success among former welfare recipients—that is, what factors are *correlated* with sustained employment or increased earnings.[8] One striking implication is that obtaining work, sustaining employment, and moving up to a better job may all be somewhat separate challenges; different factors are more important for one goal than another. Among some of the themes that emerge are: (1) women who work steadily after first leaving welfare are more likely to be employed in later years, (2) women who work steadily at first do not as a result receive higher hourly wages in later years, (3) women who start out in better jobs (jobs with higher hourly wages or benefits) or in certain occupations are more likely both to be employed and to have higher wages in later years, and (4) the likelihood that women will work steadily and will find better jobs after first leaving welfare is related to other factors that are more difficult to observe, such as motivation, interpersonal and problem-solving skills, and differing labor markets.

Table 1
Effects of Employment-Focused Welfare-to-Work Programs on Sustained Employment

Employment Outcome	Program Group (%)	Control Group (%)	Difference (Effect)	Percentage Change (%)
Atlanta LFA				
Ever worked	74.6	71.1	3.5**	4.9
Left work quickly	36.8	39.3	-2.5	-6.3
Stayed employed for a year or more	37.8	31.9	5.9***	18.6
Grand Rapids LFA				
Ever worked	85.1	79.6	5.5***	6.9
Left work quickly	51.3	47.8	3.4*	7.1
Stayed employed for a year or more	33.9	31.8	2.1	6.6
Riverside LFA				
Ever worked	66.6	55.9	10.6***	19
Left work quickly	35.4	28.7	6.7***	23.3
Stayed employed for a year or more	31.1	27.2	4.0***	14.6
Portland LFA				
Ever worked	80.3	73.4	7.0***	9.5
Left work quickly	37.6	37.4	0.3	0.8
Stayed employed for a year or more	42.7	36	6.7***	18.5

Notes: LFA = Labor Force Attachment. Two-tailed t-tests were applied to differences between the outcomes for the program and control groups. Statistical significance levels are indicated as: * = 10%; ** = 5%; *** = 1%.

Source: R. Kazis and M. Miller, ed., *Low Wage Workers in the New Economy: Strategies for Productivity and Opportunity* (Boston, MA, and Washington, DC: Jobs for the Future and Urban Institute Press, 2001); C. Michalopoulos, *Sustained Employment and Earnings Growth: New Experimental Evidence on Financial Work Incentives and Pre-Employment Services*, MDRC, NY, November, 2001.

Educational attainment, not surprisingly, is one of the strongest predictors of advancement. Labor market information indicates that higher skills are associated with higher-paying jobs, jobs with benefits, and opportunities for wage progression. Higher skills can mean obtaining a G.E.D., a high school diploma, an occupational/vocational certificate or degree, or even an associate's or bachelor's degree. There is evidence that postsecondary education in general, and a community college education in particular, can increase earnings for the working poor population. Men with an associate's degree earned 18 percent more than high school graduates or individuals with a G.E.D.; women earned 23 percent more when all other differences between the two groups were considered. There can also be a payoff to certificate programs, although it is moderated by the participant's gender and the occupation in which he or she receives training.[9]

Although it is useful to be able to predict who may experience problems with labor market attachment or wage progression, such information provides limited guidance about what to do. For example, the current MDRC study, Opening Doors to Earning Credentials, which is examining how low-wage workers access and complete community college programs, is uncovering many of the barriers individuals face as they juggle multiple demands as parents, employees, and students—barriers that may prevent enrollment and completion of courses and foreclose any economic payoff.

What we know about programs to encourage sustained employment and earnings growth

Although we know that effective programs exist to help low-income individuals find jobs, we know less about the types of programs and policies that will help people stay employed and increase their earnings over time. There is, nonetheless, some limited evidence about potentially promising strategies. In this section we summarize recent evidence on how pre- and postemployment services, financial work incentives, and other strategies may promote sustained employment and earnings growth.

Preemployment services for welfare recipients

On the whole, the welfare reform efforts of the 1990s shifted the emphasis away from skill-building activities and toward a work-first, labor force attachment (LFA) model. The shift was due in part to research which suggested that programs emphasizing preemployment education or human capital development (HCD) had no greater effects on employment and earnings than did LFA models, and were more expensive to operate.[10] Work-first programs generally include mandatory job search and job search assistance (e.g., résumé development and interview preparation); some programs offer limited education and training opportunities to targeted participants.

Although the programs evaluated to date did not have any formal postemployment activities, one study suggests that some preemployment models may be more effective in

Table 2
Effects of Programs with Financial Work Incentives on Sustained Employment

Employment Outcome	Program Group (%)	Control Group (%)	Difference (Effect)	Percentage Change (%)
SSP				
Ever worked	42.5	27.3	15.2***	55.6
Left work quickly	21.6	17	4.6***	27.4
Stayed employed for a year or more	20.9	10.4	10.6***	101.8
MFIP Incentives Only				
Ever worked	44.4	39.2	5.2	13.3
Left work quickly	12.2	13.5	-1.3	-9.6
Stayed employed for a year or more	32.2	25.7	6.5***	25.3
MFIP				
Ever worked	50.5	39.2	11.4***	29.1
Left work quickly	16.3	13.5	2.8	20.7
Stayed employed for a year or more	34.2	25.6	8.6**	33.6

Notes: SSP = Canadian Self-Sufficiency Program; MFIP = Minnesota Family Investment Program. Two-tailed t-tests were applied to differences between the outcomes for the program and control groups. Statistical significance levels are indicated as: * = 10%; ** = 5%; *** = 1%. Effect may not appear to differ between the program group and control group owing to rounding.

Source: R. Kazis and M. Miller, ed., *Low Wage Workers in the New Economy: Strategies for Productivity and Opportunity* (Boston, MA, and Washington, DC: Jobs for the Future and Urban Institute Press, 2001); C. Michalopoulos, *Sustained Employment and Earnings Growth: New Experimental Evidence on Financial Work Incentives and Pre-Employment Services*, MDRC, NY, November, 2001.

promoting steady employment. The study examined how several welfare-to-work programs (all evaluated using random assignment) affected employment stability. Table 1, which focuses on four programs sponsored by the U.S. Department of Health and Human Services as part of its National Evaluation of Welfare-to-Work Strategies, shows that some of the work-first models had better outcomes for stable employment than others.

Of the four LFA programs shown in Table 1, the Riverside program had the largest effect on employment (10.6 percentage points), but much smaller effects on steady employment (only 4.0 percentage points). The Grand Rapids program also primarily increased short-term employment. In contrast, the Portland and Atlanta programs generated almost all of their effects by increases in steady employment. Although it is unclear what caused these differences, the Atlanta and Portland programs were more likely than Riverside and Grand Rapids to allow some participants (usually those most in need of basic skills) to pursue education and training. Case managers in Portland and Atlanta were about twice as likely to prefer skills-enhancement over work-first strategies, whereas almost all the Riverside staff preferred the work-first strategy. In addition, the Portland program encouraged people to hold out for better-paying jobs with benefits, rather than encouraging them to take the first job that came along.

It is also possible that these differences in employment stability outcomes were due to the local economies in each of the sites. Riverside had the highest level of unemployment in the four sites (its rate in 1993 was 11.5 percent, compared with 5.5 percent in Portland), and this may have made it harder for participants to find stable, well-paying jobs. However, Grand Rapids had a strong economy during the follow-up period, suggesting that economic variables alone may not explain all the differences.

Financial incentives and earnings supplements

To the extent that low earnings per se (as opposed to the characteristics of low-wage jobs, welfare recipients, or the working poor) contribute to unstable employment, programs that increase income through earned income disregards, earnings supplements, or other financial work incentives can increase employment stability. Not only do they increase stability through increased income but they serve as an incentive to keep working. Results from MDRC's studies of the Canadian Self-Sufficiency Program (SSP) and the Minnesota Family Investment Program (MFIP) show that financial incentives can both induce people to take jobs and help them sustain employment.[11] SSP was a full-scale demonstration project designed to test a work-based alternative to welfare that paid a substantial monthly earnings supplement, for up to three years, to long-term, single-parent welfare recipients who worked full time (at least 30 hours a week). These supplements usually raised the income of participants by $3,000–$5,000 a year. MFIP expanded the "earned income disregard"—the amount of earnings not counted when calculating a family's benefits—and increased basic benefits by up to 20 percent for those who worked. For welfare recipients not working at least 30 hours a week, MFIP required participation in employment-focused services designed to help them find jobs.

Table 2 shows that SSP and two versions of MFIP (one that provided only a financial incentive and one that also provided mandatory employment services) had positive effects

on steady employment. Around two-thirds of the effect on employment of SSP, the most successful program in this respect, was due to increases in *steady* employment. Increases in employment under the MFIP program that included employment services were driven primarily by increases in steady employment. And although the MFIP incentive-only program did not have statistically significant effects on employment overall, it had a positive effect on steady employment (6.5 percentage points).

Although it is difficult to draw broad conclusions from only three studies, financial incentives and earnings supplements seem to be a promising strategy for promoting steady employment.

Postemployment job retention services

Until fairly recently, formal postemployment services to increase retention and advancement outcomes were quite rare, and research on the best strategies for promoting steady work and better jobs among low-income workers is very limited. To date, only three rigorous studies have tested the effects of postemployment case management.

Denver WIN Lab: In the late 1970s, a study in Denver tested whether providing six months of postemployment case management to welfare recipients who found jobs through the Work Incentive (WIN) program would improve their retention and help them become reemployed faster if they lost jobs.

Postemployment Services Demonstration (PESD): A more ambitious study in the 1990s tested a postplacement case management model in four sites, targeting clients who found jobs through the Job Opportunities and Basic Skills Training (JOBS) program.

SSP Plus: SSP Plus tested whether the inclusion of preemployment services and job coaching for employed clients achieved better results than the basic SSP model.

Although each program achieved some positive results, none of them substantially improved employment retention or reduced welfare recidivism. Several consistent themes emerge from these studies.[12]

The difficulty of engaging employed people. Once an individual leaves welfare, participation in retention programs is usually voluntary. Each of the programs was unable to deliver the full range of intended services, in part because eligible participants did not want them (or, perhaps, did not understand them). For example, in SSP Plus, turnout for group activities targeted to employed clients was typically low. In both PESD and the Denver program, most participants did not want staff to talk directly to their employers, even though workplace problems were a key cause of job loss.

Failure to address the causes of job loss. Both the PESD and SSP Plus studies concluded that some people lost jobs because they experienced serious health or personal problems that the programs were not designed to address. But job losses may also be attributable to the common characteristics of low-wage jobs (sudden changes in work hours, poor supervision, etc.).

Low utilization rates for some work supports. Although the range of publicly funded supports has expanded, many of these programs (e.g., Medicaid/CHIP, child care, and smaller-scale efforts like peer support groups) have experienced low take-up rates. The reasons include lack of aggressive outreach, misunderstandings about eligibility, burdensome application procedures, stigma, and a simple lack of time.

The PESD study noted that the programs tried to deliver the same services to the entire target group, even though some people needed little help. The study concluded that it might be preferable to target more intensive case management to those facing serious problems. But the experience of SSP Plus, although not definitive, raises questions about this approach; staff had small caseloads and provided intensive job coaching, but were still unable to prevent most job loss.

In a more recent project in Pittsburgh, known as GAPS, postemployment case management was provided by community-based organizations rather than welfare agency staff. A nonexperimental study of GAPS found that participants made steady progress. One in five participants experienced a wage increase of 30 percent or more, despite frequently cited barriers such as child care, transportation, and conflict management. The study also found that those who received services that directly addressed these problems were more likely to rate GAPS services as being useful. This finding indicates that supplementing case management with such services may help participants improve their outcomes.[13]

Industry-based efforts

Industry-based programs, or sectoral workforce development programs, provide nonexperimental evidence of a strategy that goes beyond sustaining employment and increasing earnings. Industry-based efforts seek to provide disadvantaged people with access to good jobs that pay living wages. They offer opportunities for advancement by focusing on a particular industry or industrial sector in which the employment opportunities for low-wage individuals could be expanded or improved. They target an occupation or a set of occupations within the sector, employing strategies that address both the supply side and the demand side of the labor market: employment training, consulting services to the industry, and policy advocacy work. These programs are characterized by their depth of industry knowledge and deep roots in the low-income communities they serve.

The Sectoral Employment Development Learning Project (SEDLP), led by the Aspen Institute, has been evaluating

six leading industry-based workforce development initiatives over the past four years. All SEDLP programs are in urban areas of the United States and they provide training to participants as part of their sectoral strategy. Among the six projects, all run by local nonprofit organizations, are the Garment Industry Development Corporation in New York City, a collaborative venture among unions, city government, and companies that provides training for a range of garment industry occupations and technical assistance and marketing to firms; Focus: HOPE, in Detroit, a civil and human rights organization that offers precision machining and metalworking training to inner-city youth and young adults; and Project QUEST, in San Antonio, a community-based organization that works with employers, the local community college system, and others to develop training programs that prepare low-income workers for quality jobs in selected industries, including health care and business services.

The SEDLP study involves three components: a case study of each program, a longitudinal survey of program participants, and a statistical profile of the participating agencies. SEDLP was launched in April 1997 and was to be completed by December 2001.

The longitudinal survey of participants in the six programs has demonstrated sustained employment and earnings growth.[14] Participants in these six programs were indeed low-income. Among those who worked in the year before they started training, average annual earnings were $12,295. Two years after the training, the average annual earnings of participants who worked had increased by 22 percent over the previous year and by 73 percent ($8,921) over the baseline year.

This substantial improvement in earnings is due to increases in both hours worked during the year and earnings per hour. Ninety-four percent of participants were employed for some portion of year two (66 percent year round and 28 percent part of the year). Participants experienced a 31 percent increase in average hourly wages ($2.69/hour) over the baseline year. The quality of the jobs they held following training also improved. Over three-quarters of employed participants had access to medical benefits through their jobs in the two years following training. The majority of jobs also provided paid vacation and sick leave, disability insurance, life insurance, and pension funds other than Social Security.

In general, the findings from the SEDLP study suggest that industry-based efforts may be a promising strategy for employment retention and wage progression.

Expanding our knowledge: Early lessons from the ERA evaluation

Because rigorous research on effective strategies to promote job retention and advancement has been so limited, the U.S. Department of Health and Human Services is sponsoring the national Employment Retention and Advancement (ERA) evaluation. This project, conducted by MDRC (in partnership with The Lewin Group), will test up to 14 strategies for promoting retention and advancement in nine states, using a random assignment research design. The evaluation will test the effectiveness of a range of approaches including financial incentives, education and training for working families, intensive, team-based case management and career counseling, and placement strategies designed to help clients find living-wage jobs with benefits. The target populations also vary among the sites and include current and former TANF recipients, the hard to employ, and low-income working families. The project is still in its development phase (five sites have started random assignment), but some early lessons have emerged from the design and implementation of these programs and services so far.

Promoting participation in retention and advancement services is an ongoing challenge

Given the hectic schedules of low-income, single, working parents (particularly those who work full time), it is understandable that many are unwilling or unable to participate in programs and services during the evening and weekend. ERA sites have addressed this challenge in a number of ways. Some sites have created financial incentives to encourage retention and advancement outcomes directly (e.g., cash bonuses for maintaining steady employment), whereas others are offering smaller in-kind incentives (e.g., vouchers for clothing or meals) to encourage participation in program services such as career assessment or regular support groups for working families. Sites are also aggressively marketing their services to families—often through home visits, flexible hours, and ongoing contact. Some sites mandate that welfare recipients working part time participate in retention and advancement services in order to receive cash assistance. For example, someone working 20 hours per week could participate in a training program for 12 hours per week to meet a 32-hour per week work requirement.

Services should be targeted to the needs of the eligible population

The PESD evaluation reported earlier suggests that targeting services to a smaller eligible population may be more effective than providing generic services to a larger group. For example, sites serving participants who have maintained employment for a period of time are offering services to help them advance through skill-building and job development. For those who work intermittently, the immediate challenge is to encourage job stability and address barriers to retention. Sites targeting hard-to-employ populations are more focused on the removal of barriers and intensive employment retention services such as supported employment or job coaching.

Agencies operating retention and advancement programs often have to restructure staff roles, train staff to take on new responsibilities, and lower caseloads

Program staff may need to develop a new set of skills in order to provide effective retention and advancement services. For example, case managers must focus on longer-term career planning rather than immediate employment, developing relationships with employers and responding to their needs and concerns, and initiating interactions with participants in their neighborhoods, schools, and worksites. Because many case managers do not have extensive experience in these areas, sites are providing staff training. Some of the sites have also decided to lower caseloads so case managers can work more intensively with their clients.

Developing relationships with partners has been a crucial step in brokering services to ERA participants

The larger system of agencies and organizations designed to serve low-income families offers a myriad of services—among them work supports, employment services, and education and training programs—to help participants obtain employment and advance in the labor market. In order for ERA participants to take full advantage of these services, the agencies and organizations administering retention and advancement programs are developing links with workforce boards, one-stop centers, community colleges, community-based organizations, and other social service providers. These links are particularly important for participants with serious barriers who may need more intensive services, including mental health or substance abuse treatment, in order to maintain steady employment.

Retention and advancement programs for low-income individuals increasingly involve employers. These partnerships include a broad range of strategies, for example, training supervisors on issues relating to low-income workers, developing internal career ladders or providing on-site job-readiness, education, or training programs, and developing Employee Assistance Programs for workers who need extra help.

The 2002 TANF reauthorization debates are an opportunity to review what has worked, what has not, and what to build on from the 1996 legislation. Sustaining employment and increasing income will continue to be important goals for policymakers and program operators, especially as the labor market further weakens. The last to leave welfare are often the first to lose their jobs in a recession. Rapid reemployment and employment retention are vital in preventing recipients from cycling on and off welfare and moving them toward economic self-sufficiency. A clearer understanding about programs and policies that have been successful in helping welfare recipients and low-wage workers as they try to keep their jobs, find new employment quickly, or advance to better jobs will provide a valuable contribution the debates. ■

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The role of temporary employment agencies in welfare to work: Part of the problem or part of the solution?

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Although temporary-help agencies have supplied workers to American businesses since the 1940s, only relatively recently has the industry's explosive growth brought it sustained national attention. From 1972 to 2000, employment in the temporary-help industry increased five times more rapidly than employment economywide (see Figure 1).[1] The U.S. economy produced a record number of new jobs in the 1990s, and the temporary-help industry laid claim to fully 10 percent of all of this job creation.

The reactions of many to the rapid run-up in temporary employment were captured in a 1993 *Time Magazine* cover story entitled "The Temping of America."[2] In that article, *Time* opined that stable jobs were being rapidly replaced by a "fragile and frightening new order" of contingent work—substandard jobs, offering poor employment stability, low wages, meager fringe benefits, and (at best) limited opportunity for advancement. Yet temporary agency jobs have also been heralded by some as providing important opportunities for disadvantaged workers to find a job, gain skills and experience, and move into traditional, more stable employment.

Against this backdrop, we consider the role that the temporary-help industry might play—or may already have played—in moving welfare recipients into jobs. Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act in 1996, the temporary-help industry has served as a major port of labor market entry for recipients of Temporary Assistance for Needy Families (TANF), the main cash welfare program created by the act. Whether this port has provided welfare recipients with safe harbor or merely led them onto the shoals of job insecurity is, at this point, unknown. The goal of this article is to point out these uncharted waters, argue that their exploration is central to welfare-to-work policy, and discuss how to conduct an expedition.

The consequences of temporary-help employment: Three views

How does a stint of temporary-help employment affect the labor market advancement of a temporary worker? This is a surprisingly hard question to answer. Three

Figure 1. U.S. employment growth 1972–2001: Temporary-help and overall nonfarm employment.

Source: Bureau of Labor Statistics, National Current Employment Statistics, various years.

views may be gleaned from policy discussions, the economics and sociology literatures, and the popular press. We refer to these as the "secondary labor market," "self-selection," and "stepping stone" viewpoints.

The secondary labor market view, represented by (but not limited to) the *Time* article above, compares the wages, benefits, and job security of temporary workers to nontemporary workers and finds the comparison to be unfavorable.[3] Indeed, as is evident in Table 1, temporary agency workers earn less, receive fewer benefits, and have less job security than workers in traditional arrangements. Moreover, the majority of temporary workers report that they would prefer a traditional job arrangement to their temporary employment.[4] From these facts, some conclude that the temporary-help industry is responsible for the comparatively poor labor market status of temporary-help workers. By implication, were these workers *not* employed by the temporary-help industry, they would hold jobs with better remuneration and greater security.

Yet, as many social scientists will be quick to emphasize, correlation does not imply causation. An alternative reading of these facts—what we call the "self-selection" perspective—is that the negative characteristics associated with the temporary-help jobs reflect low skills and motivations of the average worker employed in the industry. From this viewpoint, there is *no* causal impact of temporary-help employment on the labor market outcomes of temporary-help workers; were these workers not employed in the temporary-help industry, they would be working in "traditional" jobs with equally unappealing characteristics. There is, indeed, evidence that workers who leave the temporary-help industry for traditional jobs experience modest initial pay gains on average, and in some cases no gains at all.[5] The low pay that the average temp agency worker receives therefore may reflect low average productivity among those workers rather than the poor remuneration of temporary-help jobs per se.

Table 1
Earnings, Health Coverage, and Job Security of Workers with Traditional and Temporary-Help Job Arrangements in 1999

	Temporary-Help Workers	Traditional Workers	Difference
A. Weekly Earnings			
Male	$367	$613	-40%
Female	331	474	-30
White	338	562	-40
Black	354	445	-20
Hispanic origin	296	396	-25
B. Health Insurance Coverage			
Male	36%	82%	-46%
Female	44	84	-39
White	43	84	-41
Black	31	77	-46
Hispanic origin	30	63	-32
C. Expect Arrangement to Last 1 Year or Less			
Male	25%	1%	24%
Female	23	2	22

Source: M. DiNatale, "Characteristics of and Preference for Alternative Work Arrangements, 1999," *Monthly Labor Review* 124, no. 3 (March 2001): Tables 6, 8, and 9.

Though these two viewpoints differ markedly, what they hold in common is the implicit assumption that were it not for their temporary-help employment, temporary workers would otherwise be employed in some other traditional job—perhaps with better working conditions or perhaps not. Yet this need not be the case. Because temporary-help firms are able to screen and terminate unsuccessful workers at extremely low cost, they may be willing to hire individuals who would otherwise have difficulty finding *any* employment. In this view, temporary-help firms may provide initial opportunities to marginally employable workers—those with limited skills, experience, and credentials—thereby serving as a "stepping stone" into the labor market and potentially into more permanent employment.

Which of these three viewpoints is correct? At present, there is little evidence that can demonstrate conclusively how temporary workers would have fared were it *not* for their temporary-help jobs—indeed, each viewpoint could be true in some cases. Yet the answer to this question has important implications for welfare-to-work policy.

The importance of the temporary-help industry to welfare recipients

Like the welfare-to-work population, the temporary-help workforce is concentrated in low-paying occupations and among less educated and minority workers. Whereas the prototypical temporary-help agency employee of the 1970s was a clerical worker (the "Kelly girl"), temporary agency employment has since expanded rapidly into other low-paying occupations. Today, substantially more than half of male temporary workers and over a third of female temporaries hold service, production, and laborer positions (Table 2). Though high school dropouts make up only 9 percent of the "traditional" workforce, they comprise 15 percent of temporary-help workers. Blacks comprise one-fifth of all temporary-help workers and only 11 percent of "traditional" workers.[6] Even after statistically adjusting for differences in education, occupation, and potential experience among blacks and whites, we find that blacks remain approximately 65 percent more likely than comparable whites to hold temporary-help jobs.

Given the occupational, educational, and racial characteristics of temporary workers and given the rapid growth in this sector in recent years, it should come as no sur-

Table 2
Occupational Distribution of Temporary-Help Agency Workers in 1999

	Males (42%)	Females (58%)
Executive, Administrative, and Managerial	4%	4
Professional Specialty	7	5
Technicians and Related Support	5	3
Sales Occupations	2	2
Administrative Support, Including Clerical	17	50
Service Occupations	5	10
Precision Production, Craft, and Repair	16	4
Operators, Fabricators, and Laborers	42	20
Farming, Forestry, and Fishing	2	0
Total	100%	100%

Source: M. DiNatale, "Characteristics of and Preference for Alternative Work Arrangements, 1999," *Monthly Labor Review* 124, no. 3 (March 2001): Table 5.

prise that many welfare recipients have found employment in the temporary-help industry.[7] How many? To gauge the extent of contact, we use administrative data from the state of Washington to study the temporary-help employment of welfare recipients from 1996 through 1999. For each individual who entered the state's employment program for welfare clients (Work First) during this period, we track unemployment, temporary employment, and nontemporary employment over six calendar quarters after entry.

As is demonstrated in Table 3, the extent of contact between Washington state welfare recipients and the temporary-help industry is large indeed. The industry was the major employer for 7 percent of nonblack females and 11 percent of nonblack males during at least one out of the six quarters.[8] And among blacks, these numbers are more than twice as high: 16 percent of black females and 22 percent of black males spent at least one quarter in temporary-help employment. These calculations include a substantial number of welfare recipients who did not work at all during six calendar quarters. If we restrict the sample to individuals who worked at least one calendar quarter in six, temporary-help employment shares are higher still. Most remarkably, among black males who found jobs, close to one-third spent at least one quarter in temporary-help employment.

Nor are these figures idiosyncratic to Washington state. Comparable data from Wisconsin, Georgia, and Missouri confirm that temporary-help employment is disproportionately prevalent among former welfare recipients, particularly among blacks and even more so among black males.[9] Indeed, one thing that appears unusual about Washington State is the relatively small fraction of welfare recipients who are black. In states with a larger share of black welfare recipients, we typically find a larger share of welfare recipients working in the temporary-help industry.

These patterns lead us to conclude that, outside of public sector agencies, it is unlikely that any other employment-related institution has greater contact with the welfare population than does the temporary-help industry. Moreover, this expanding contact is likely a recent phenomenon. Prior to the 1990s, the temporary-help industry had neither the scale nor the appropriate job opportunities (recall the recent expansion into blue-collar and service occupations) to provide employment to large numbers of welfare recipients.

At least some of the growth in temporary-help employment among welfare clients appears to have been fostered by public policy. Historically, welfare agencies had discouraged contact between welfare recipients and temporary-help agencies. Interviews with TANF case workers indicate, however, that programmatic policies appear to have shifted in recent years, and that some state agencies are directly involving temporary-help agencies in placing welfare recipients into "temp-to-permanent" positions.[10] Though we are unable to estimate what fraction of the increased contact between welfare recipients and the temporary-help industry is due to intentional program policies, the current data make it abundantly apparent that the activities of the temporary-help industry and the process of welfare reform—knowingly or not—have become tightly linked.

Why the role of temporary help in welfare to work is controversial

Given this tight linkage, it is useful to consider why the involvement of the temporary-help industry in the welfare reform process is controversial. We begin with the negatives.

From the perspective of welfare case workers, temporary-help jobs offer a variety of unappealing features, beginning with low pay, minimal benefits, and poor job security. In addition, temporary-help firms face limited incentives to make substantial investments in training, since they have only brief contact with most workers.[11] Moreover, it is often alleged that temporary-help agencies "skim the cream"—taking only the best of the job applicants—although it is difficult to see how this behavior differs markedly from that of other employers.

Temporary-help arrangements also present particular challenges for the TANF population and the programs that serve it. Temporary jobs, with frequent changes in assignments, hours, and location, demand flexibility in

Table 3
Temporary-Help Employment among Washington State TANF Recipients over Six Quarters, 1996–1999

	Black Females	Black Males	Nonblack Females	Nonblack Males
Share of Those Employed in First Quarter Working in Temporary-Help Sector	11%	15%	5%	7%
Share Who Worked in Temporary-Help Sector during Six Quarters	16	22	7	11
Share Who Worked in Temporary-Help Sector, among Those Working at Least One Quarter	23	30	11	15

Source: Authors' tabulations of unemployment and welfare data from Washington state. Individuals are classified as working in the temporary-help sector if the temporary-help industry is the highest-paying employer in the calendar quarter.

transportation and child care that welfare clients are especially ill equipped to handle. Moreover, the employment instability inherent in these positions creates administrative challenges. Welfare offices are structured by public mandate to close cases as recipients find reemployment. If these employment spells are temporary or sporadic, TANF recipients cycle through administrative portals repeatedly, generating complexity, irritation, and expense. In the near term, many recipients are denied benefits while they wait for their cases to reopen.

To compensate for these shortcomings, welfare program managers with whom we spoke discourage temporary firms from offering short-term assignments to their TANF clients. But informal agreements reached with temporary agencies are not enforceable and the agencies may face incentives to renege on them. Moreover, the length of temporary assignments ultimately is controlled by the temporary-help agencies' customers, over whom they exercise limited control. Accordingly, even where welfare offices have explicitly contracted with temporary-help agencies to place workers in "temp-to-perm" positions, the results have been somewhat disappointing.[12]

Beyond these pragmatic concerns, many in the welfare community find the notion of for-profit intermediaries participating in a social welfare role repugnant. They view the 30–50-percent wage markup that temporary-help firms typically charge their clients as a form of "skimming" from the paychecks of workers whose earnings are already low. And they suspect that social service agencies implicitly, and perhaps unintentionally, subsidize temporary-help firms by providing TANF recipients with the skills, transportation, and child care that allow them to take otherwise unappealing jobs.

Given these many trenchant concerns, one must ask why welfare recipients seek temporary-help positions in increasing numbers, with the approval of social service providers in many cases. Clearly, one critical reason is that temporary-help firms are "where the jobs are." By seeking temporary employment, many TANF recipients will draw a paycheck sooner than if they had sought a traditional job—which may be reason enough. We suspect, however, that the temporary-help industry possesses several attributes that increase its appeal.

One advantage of temporary jobs stressed by the "port of entry" view is that traditional employers may be willing to employ workers at arm's length through temporary arrangements whom they would be reluctant to hire directly. Accordingly, temporary assignments may provide TANF recipients with a toehold in the labor market. A series of such assignments may help them develop skill sets, workplace exposure, and résumés. Because temporary-help firms specialize in matching workers to tasks, the assignments are likely to be appropriate to TANF recipients' skill levels and hence they face reasonable odds of success. As a result, temporary assignments will sometimes result in workers being hired directly. For example, extensive case studies of Massachusetts manufacturing show that many firms hire high school dropout and high school graduate production workers exclusively through temp-to-perm arrangements.[13] In interviews with TANF case workers in Michigan and Georgia, we heard similar reports.

In the majority of cases, however, temporary-help positions will not end in direct hire. Paradoxically, this outcome may be advantageous for some TANF recipients. As several case workers and human resource managers we spoke with stressed, workers auditioning a job through a temporary-help arrangement are not formally dismissed if they are unsuccessful at their positions; rather, the temporary-help firm simply ends the assignment (sometimes offering a new assignment, sometimes not). For many TANF recipients—and indeed most workers—a documented termination can significantly impede labor market advancement. Hence, though temporary arrangements may make it "too easy" for employers to fire unsuccessful workers, they may also insulate workers from the scarring effect of firing.

Finally, although the notion of for-profit intermediaries participating in welfare placement may cause some

Table 4
Temporary-Help Employment among Washington State TANF Recipients over Six Quarters, 1996–1999

	Status in First Quarter	Earnings in Prior 5 Quarters ($)	Distribution of Employment Outcomes over Quarters 2–6			Earnings in Next 5 Quarters ($)
			Unemployed (%)	Temporary Employment (%)	Nontemporary Employment (%)	
Black Females	*Unemployed*	1,730	75%	3%	22%	2,280
	Temp	4,310	36	29	35	8,750
	Nontemp	5,450	30	5	66	9,350
Black Males	*Unemployed*	1,840	76%	5	19%	2,040
	Temp	2,840	43	20	37	6,600
	Nontemp	7,240	27	6	68	11,010
Nonblack Females	*Unemployed*	1,840	76%	1%	20%	2,190
	Temp	3,910	34	25	41	7,950
	Nontemp	4,820	29	2	70	8,850
Nonblack Males	*Unemployed*	3,120	76%	2%	22%	2,370
	Temp	4,920	31	23	46	8,510
	Nontemp	8,050	27	2	70	10,180

Source: Authors' tabulations of unemployment and welfare data from Washington state. Temporary Employment refers to employment in the temporary-help industry.

people discomfort, the profit motive also provides temporary-help firms with a particular advantage in fulfilling a staffing role: credibility with private sector employers. Because the financial success of temporary-help firms depends upon providing adequately screened and matched workers to their customers, employers place some confidence in the workers that these firms supply—even if those workers have a poor prior labor market history. By contrast, many employers are understandably skeptical of well-intentioned social service agencies seeking to place disadvantaged workers directly into jobs. As these employers correctly perceive, the social service role is often inimical to the profit motive. These observations bolster the case that employers who would not directly hire TANF recipients may nevertheless be willing to audition them through temporary assignments.

The consequences of temporary-help employment for welfare recipients: What we don't know and how we could know it

Because understanding how temporary-help employment aids or hinders TANF recipients' labor market advancement is crucial to welfare policy, we discuss how to study these consequences rigorously. Before we do, we ask briefly what the current TANF data *cannot* tell us.

What don't we know?

As underscored earlier, the data lend themselves to several interpretations. Consider a comparison of earnings and employment of TANF recipients from Washington state found in Table 4. From 1996 to 1999, on average, one in ten TANF recipients who took a job in the first quarter of entering a welfare-to-work program took a temporary-help position (see Table 3). Those who took temporary jobs earned considerably less—from 10 to 50 percent less—than those who took nontemporary jobs among all four gender and race groups. Moreover, the TANF recipients who initially obtained temporary-help jobs spent a substantially greater fraction of the subsequent five quarters in unemployment than did those who took regular jobs. These facts can be readily taken to support the secondary labor market view, i.e., "bad jobs at bad wages."

However, consider the *prior* (pre-TANF) earnings of individuals who found employment immediately after entering the welfare-to-work program (column 2 of Table 4). Even prior to their temporary-help employment, the individuals who subsequently took temporary-help positions typically earned substantially less than those who took nontemporary positions. Hence, the "self-selection" view is also supported.

Finally, consider the outcomes of TANF recipients who took temporary employment relative to those who remained unemployed in their first quarter of TANF receipt. Over the subsequent five quarters, the temporary employees earned two to three times as much as those unemployed in the first quarter and spent 50 percent fewer quarters in unemployment. Hence, if some TANF recipients who worked as temps would otherwise have remained unemployed, temporary-help employment may have served them well. Potentially supporting this view is the fact that those who took temporary-help employment rarely remained in these positions for an extended period. In the five quarters after taking a temporary-help position, TANF recipients typically spent one additional

quarter in temporary-help employment, two in unemployment, and two in nontemporary positions. Hence, it is plausible, but far from certain, that the temporary-help sector provided a "stepping stone" to some (clearly not all) TANF recipients.

Whichever of these three viewpoints the reader finds compelling, the contrast among them should underscore the difficulty in assessing the *causal* impact of temporary-help employment on the labor market advancement of welfare recipients. The fundamental obstacle is that we do not observe how TANF recipients who took temporary-help positions would have fared otherwise—both in the short term (i.e., the current quarter) and over subsequent months of potential labor market advancement or stagnation.

How could we know?

Two distinct approaches to surmounting this obstacle are feasible, both of which the authors of this article are currently undertaking.[14] The first is to conduct a large-scale statistical study comparing the short- and long-term labor market advancement of TANF recipients who take temporary-help positions with otherwise similar TANF recipients who do not. There exists a voluminous literature assessing the efficacy of various reemployment programs for the labor market performance of disadvantaged populations. A general conclusion of this literature is that forming a sample of individuals whose labor market performance would otherwise be comparable to a disadvantaged population *but for* some "treatment"—in this case, a spell in temporary-help employment—is an exceedingly difficult problem.

A number of recent statistical advances, however, offer powerful and transparent tools for performing such comparisons credibly. Foremost among these are so-called "matching" methods used for identifying samples of individuals who appear in most important respects indistinguishable from those who take a treatment or, in our case, obtain a form of employment.[15]

These techniques are not without drawbacks. They make considerable demands of the richness and accuracy of demographic and labor market data and additionally require important assumptions, not all of which are testable. However, the matching approach is clearly the best near-term means to begin to understand how temporary-help employment affects the labor market advancement of the many TANF recipients who obtain it. Accordingly, with the support of the Russell Sage, Ford, and Rockefeller foundations, we are conducting, a large-scale, multistate "matching" study to evaluate the labor market performance of TANF recipients who obtained temporary-help employment relative to otherwise comparable TANF cases who sought other employment.

The second approach to assessing how temporary-help employment affects TANF recipients' labor market performance is to conduct a randomized experiment. Randomized experiments are a natural substitute (or complement) to statistical studies, and constitute the benchmark in social policy research. The hurdles to conducting experiments are different from, but at least as formidable as, the obstacles to conducting a convincing statistical study.

As a starting point, randomized experiments are invariably expensive. In the present case, however, the greater obstacles are methodological and institutional. Methodologically, it is essentially impossible (ethical considerations aside) to randomly assign individuals to stints of temporary-help employment. Such decisions are within the domain of the worker and of the employer, and any assignment achieved by compulsion would not replicate an actual employment situation. Hence, for an experiment to attain a degree of institutional verisimilitude, a more subtle approach is needed.

We are presently piloting an experiment that may overcome some of these challenges.[16] Our design builds on the fact that there is considerable variation in the extent to which service providers encourage temporary agency employment among clients. For instance, some provide clients with little or no direct contact, whereas others make frequent referrals to temporary-help agencies and host mandatory meetings between agencies and welfare recipients. Although some of the cross-site differences reflect different opportunities for temporary-help employment, often they reflect philosophical differences in service providers' views about temporary employment.

The planned experiment would provide the kind of variation in exposure to temporary-help agencies within participating sites that currently exists across sites. Specifically, the experiment will provide randomly chosen TANF recipients with enhanced services that may encourage temporary-help employment: additional exposure to temporary-help agency recruitment fairs; supplemental information about temporary-help job opportunities; information on the location of local temporary-help employers, etc. Provided this encouragement induces some TANF recipients to obtain temporary-help employment who otherwise would have either remained unemployed or sought traditional employment, this experiment will provide a valid foundation for causal inference.[17]

The advantages of randomizing *encouragement* versus randomizing temporary-help employment per se are several. First, as noted above, assigning workers to jobs with private sector employers is neither feasible nor in any sense a realistic simulation of policy. By contrast, encouraging TANF recipients to seek temporary-help employment is well within the bounds of institutional feasibility. Second, ethical concerns about denying service to one group of subjects while providing it to another—often an issue in experiments—are substantially dimin-

ished when the treatment provided is a small enhancement to existing services rather than the selective denial of access to certain benefits. Finally, an experiment where individuals are encouraged to seek temporary-help employment has the potential to answer *two* important policy questions simultaneously.

The proximate question is that identified above: How does temporary-help employment promote or hinder TANF recipients' labor market advancement? The second question, arguably of equal moment, is whether TANF programs are able, through plausible programmatic enhancements, to influence the extent of contact between TANF clients and the temporary-help industry. If public policy can have little effect on the amount of temporary-help employment among TANF clients, then, to some degree, the question of the effect of temporary employment on labor market advancement is moot. If, however, policy can significantly affect contact between temporary-help agencies and welfare clients, then understanding the labor market impacts of temporary employment is of even greater salience.

Conclusion and policy issues

A decade ago, the temporary-help industry might have seemed an unlikely participant in welfare reform. Our analysis indicates that, intentionally or otherwise, it has become a central actor. At present, the causal effects of temporary-help employment on the earnings, employment, and labor market advancement of welfare recipients are unknown. It is often presumed that these impacts are adverse, but there are cogent reasons to believe that they could be beneficial in many instances. What is unambiguous is that these impacts demand careful study.

Whether or not public policy significantly affects the incidence of temporary employment in the TANF population, it is clear that many welfare recipients will continue to gain employment with temporary agencies. And if research ultimately reveals that temporary employment promotes their labor market advancement, the relationship between welfare agencies and the temporary-help sector will receive further scrutiny. Accordingly, we close by considering how public policy could improve this interface.

Ushering welfare recipients into insecure temporary-help positions with limited benefits strains the administrative structure of welfare offices. How could states adjust the administrative structure to better accommodate these transitions? One means is to place TANF cases in a transitional holding status when recipients obtain employment rather than to close their cases immediately. Additionally, states might provide recipients with interim health or child care benefits while their cases are in transition. Indeed, some states already offer these services. These steps might both alleviate the administrative burdens of "revolving door" cases and reduce the risk that TANF recipients suffer benefit lapses while taking fledgling steps into the workforce. Of course, any policy intended to provide a safety net to welfare recipients in insecure employment would have to be applied even-handedly across employer types, both temporary and traditional.

A second approach to assisting the welfare-to-work transition may lie in a separate strand of the social safety net. As Alan Krueger noted in recent congressional testimony, the U.S. Unemployment Insurance (UI) system is structured to provide income security to full-time workers with stable employment. Consequently, the UI system may fail to cover many recent welfare recipients.[11] This is particularly lamentable given that UI taxes are levied on all employees, even nontraditional workers who may later fail to qualify for UI benefits. Could the UI system offer additional security to the expanding share of workers who fall into these nontraditional categories?

The answer is uncertain. The UI system inherently faces a tradeoff between offering income security and providing incentives for displaced workers to seek reemployment rapidly. Expanding the inclusiveness of the UI system might weaken these incentives and encourage malingering. Moreover, any attempt at expanding the program would undoubtedly face strong opposition from employers. Nevertheless, because public policy has spurred many welfare recipients to reenter the labor force, it is worth considering whether the social safety net takes adequate account of their needs. ■

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[1]Temporary-help industry growth averaged 10.4 percent annually over these 28 years, versus 2.2 percent for other non-farm employment. Consequently, temporary employment increased by 1,700 percent while other non-farm employment increased by 80 percent. See D. Autor, "Outsourcing at Will: The Contribution of Unjust Dismissal Doctrine to the Growth of Employment Outsourcing," *Journal of Labor Economics*, forthcoming 2003.

[2]*Time Magazine*, "The Temping of America," March 29, 1993.

[3]For example, see the General Accounting Office report, *Contingent Workers: Incomes and Benefits Lag behind the Rest of the Workforce*, GAO/HEHS-00-76, June 2000, available at < http://www.gao.gov/ >.

[4]See, for example, M. DiNatale, "Characteristics of and Preference for Alternative Work Arrangements, 1999," *Monthly Labor Review* 124, no. 3 (March 2001): 28–49.

[5]L. Segal and D. Sullivan, "Temporary Services Employment Durations: Evidence from State UI Data," Working Paper #WP-97-23, Federal Reserve Bank of Chicago, December 1997, and "The Growth of Temporary Services Work," *Journal of Economic Perspectives* 11, no. 2 (Spring 1997): 117–36. However, this calculation makes no adjustment for workers' fringe benefits, which are likely to be higher in traditional jobs.

[6]Hispanics comprise 13.6 percent of temporary-help workers.

[7]Notably, the industry has contracted extremely rapidly during the current economic downturn, shedding 393,000 jobs between January

and October of 2001 (Bureau of Labor Statistics, National Employment, Hours and Earnings, available at < http://stats.bls.gov >).

[8]In our sample, the major employer is the industry that provides an individual with the greatest total pay in a quarter. Since workers in the temporary-help industry typically work less than full time and earn comparatively low wages, we are likely to significantly undercount the number of spells of temporary-help employment in the sample population.

[9]There are relatively few black males in our sample of welfare recipients, but the patterns of temporary employment we find for black male welfare recipients are also evident among other black male populations, such as Employment Service registrants.

[10]L. Pavetti, M. Derr, J. Anderson, C. Trippe, and S. Paschal, "The Role of Intermediaries in Linking TANF Recipients with Jobs," MPR Reference Number 8543-400, Mathematica Policy Research, Princeton, NJ, February 2000.

[11]However, many temporary-help agencies do offer free computer skills training. See D. Autor, "Why Do Temporary Help Firms Provide Free General Skills Training?" *Quarterly Journal of Economics* 116, no. 4 (November 2001): 1409–48.

[12]See, for example, A. Bugarin, "Linking Welfare Recipients to Jobs: The Role of Temporary Help Agencies," Working Paper #CRB-98-017, California Research Bureau, California State Library, November 1998; L. Williams, "Study and Evaluation of W2 Workers and Temporary Employment in Milwaukee, Wisconsin," mimeo, Nine to Five: National Association of Working Women, January 1999.

[13]J. Ballantine and R. Ferguson, "Labor Demand for Non-College Educated Young Adults," unpublished paper, Harvard University, Kennedy School of Government, 1999.

[14]We are unable to present preliminary results at this time.

[15]See P. Rosenbaum and D. Rubin, "The Central Role of the Propensity Score in Observational Studies for Causal Effects," *Biometrika* 70 (1983): 41–55; R. Dehejia and S. Wahba, "Causal Effects in Nonexperimental Studies: Reevaluating the Evaluation of Training Programs," *Journal of the American Statistical Association* 94 (December 1999): 1053–62; J. Heckman, H. Ichimuro, and P. Todd, "Matching as an Econometric Evaluation Estimator," *Review of Economic Studies* 65, no. 2 (1998): 261–94.

[16]The study is also being conducted with the support of the Russell Sage, Ford, and Rockefeller foundations. Although pilot sites for the experiment have been selected, the authors are presently seeking additional states to participate in the final study.

[17]The experimental validity of randomizing encouragement to obtain treatment versus randomizing treatment per se is discussed in greater detail in G. Imbens and J. Angrist, "Identification and Estimation of Local Average Treatment Effects," *Econometrica* 62, no. 2 (1994): 467–75.

[18]A. Krueger, "The Economic Outlook and Policies in Light of Recent Events," testimony before the Budget Committee of the United States Senate, Washington, DC, October 2, 2001.

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Employers and welfare recipients: What their interactions imply for public policy

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To what extent have welfare recipients been successful in the labor market under welfare reform? The answer to this question depends on a variety of labor market outcomes for them, such as the extent to which they have been hired and retained, the wages and benefits at which they have started, and whether or not their performance has led to advancement, either with their initial employers or with others. Clearly, all of these outcomes depend not only on the welfare recipients themselves, but also on the attitudes and behaviors of employers in low-wage labor markets, and how they interact with welfare recipients in the workplace. Yet most analyses of welfare recipients in the labor market have paid little attention to employers, their workplaces, and how they contribute to the outcomes for recipients that we observe.

To fill this gap, I administered a series of phone surveys to about 3,000 employers in four large metropolitan areas—Chicago, Cleveland, Los Angeles, and Milwaukee—in 1998–99. The surveys gauged the extent to which employers were willing to hire welfare recipients, whether or not they had already done so, and if they had, what their experiences had been.[1]

In this article, I summarize what we have learned from these data about the employment rates of welfare recipients and their performance and retention rates after being hired. I also consider the implications of these findings for public policy, especially as we debate the reauthorization of Temporary Assistance for Needy Families (TANF) over the next year.

Employment of welfare recipients: How easily can they find jobs?

Given the very tight labor markets of the late 1990s, and the extent to which employment rates for poor single women rose during that decade, there is a widespread perception that it is relatively easy for most welfare recipients to become employed. Yet studies of "welfare leavers" generally show that only 50–60 percent are employed during any quarter soon after they leave the rolls.[2]

To what extent do these employment rates reflect limited access to jobs for at least some women who have been on welfare? Our data indicate the following:

- *Employer demand for welfare recipients has been quite strong in recent years.*

Specifically, employers claimed at the time of the survey that they either had filled or would be willing to fill up to 3–4 percent of all of their jobs with welfare recipients. This level of demand represents more than enough jobs in the aggregate to absorb all recipients who have entered the labor force and need work.[3]

But this overall demand is quite uneven, in terms of which recipients get hired, what kinds of jobs exist and where they are located, and the economic conditions on which the demand depends. Specifically:

- *Some groups of recipients, such as high school dropouts and minorities, become employed less frequently than their counterparts who are high school graduates and/or white.*

For instance, in our midwestern metro areas, we find that African American women account for about 55 percent of welfare recipients that have recently been hired by employers but constitute about 65 percent of poor, female-headed households. High school dropouts also account for fewer hires than their share of the low-income female population would suggest. Several factors might account for the lesser tendency of employers to hire African American women—among them, greater skill deficiencies on their part, greater transportation problems, weaker employment networks, or less active job search behavior. But the particular underrepresentation of that group in the retail sales sector and in small establishments, relative to white and Latino welfare recipients, raises at least the possibility that employer bias has played some role.[4]

- *Skill requirements on most jobs for welfare recipients are not trivial, in terms of reading and arithmetic requirements, use of computers, and the like.*

Over half of the jobs into which recipients were hired required reading or writing on a daily basis. Over half also required the use of arithmetic, and over 40 percent involved the use of a computer. Almost three-fourths of the jobs involved direct contact with customers, and over half were in either clerical or sales positions. Thus, the hardest-to-serve welfare recipients with very poor skills and other personal limitations might find it particularly difficult to fill most of these jobs.[5]

- *Jobs at firms that are located in the suburbs, or further away from public transit, are much less accessible to welfare recipients than those located in the central cities and/or near public transit.*

Although suburban employers report a somewhat greater interest than their central-city counterparts in hiring welfare recipients (reflecting their somewhat higher job vacancy rates), they have actually hired considerably fewer of them. Employers in the central cities have filled about 3 percent of all jobs with recipients whereas those in the suburbs have filled only about 2 percent. The data are thus consistent with the existence of a "spatial mismatch" between the locations of inner-city welfare recipients and many suburban employers. Such a mismatch might reflect not only transportation problems in commuting from central-city residences to suburban employers, but also a lack of information about which suburban employers have appropriate job openings and geographically based employment networks that do not extend to those suburban areas. The greater proximity of central-city employers to welfare recipients may not necessarily be a problem, so long as there are sufficient numbers of jobs located there for all welfare recipients who seek them. But this did not appear to be the case even before the economic downturn began.[6]

- *The degree of job availability for recipients seems to be quite highly sensitive to the business cycle, implying that much of it could disappear during a serious downturn.*

The willingness of employers to hire welfare recipients is very highly correlated with the presence of vacant jobs across establishments. Vacancy rates were very high during the tight labor markets of the 1990s, with median rates over 2 percent and mean rates of about 5 percent. During a serious recession, however, most of these vacancies are likely to disappear. Thus, new hiring of recipients will almost certainly diminish as well. It is somewhat harder to infer the extent to which those who have already been hired and retained will be laid off, given their accumulation of work experience over the past few years. But employment rates will almost certainly decline significantly for this group during any recession, particularly in the geographic areas that are hardest hit.[7]

Overall, these data imply a somewhat mixed picture of the ability of welfare recipients to gain employment. Although employment opportunities have been quite plentiful, certain recipients face limited access to jobs because of their own personal characteristics (skills or other), spatially based issues, and possibly racial discrimination.[8] The availability of jobs for this group is also quite sensitive to the strength of the economy.

One final point must be made about employment rates of young women on welfare relative to those of other groups:

- *Although employment among single mothers and young minority women has expanded dramatically in the past decade, it has continued to fall for young African American men.*

For instance, employment rates of young, less-educated black women rose from 40 to 52 percent between 1989 and 1999/2000; comparable rates for young black men declined from 59 to 54 percent in the same period.[9] The employment rates of these men did improve modestly in response to tightening labor markets between 1992 and 1999, but the long-term secular decline in their employment continued despite these positive conditions.

What explains the different trends over time in employment for these men and women? In addition to the effects of welfare reform and tight labor markets on their labor force activity, less-skilled young women have benefited from the Earned Income Tax Credit, extensions of Medicaid and other publicly provided health insurance, and other work supports (such as subsidies for child care) associated with welfare reform.[10] In contrast, young men who are not custodial parents of small children were largely unaffected by these developments. Instead, (1) the labor market for their services continued to decline, at least along some dimensions (such as the availability of blue-collar or manufacturing jobs)[11]; (2) the earnings of noncustodial fathers have been effectively taxed through more pervasive child support orders and arrearages; and (3) rising incarceration rates have kept many young men from working, and many employers from hiring out of this population. As many of these young men return to their communities and reenter society after being incarcerated, they will find serious difficulty achieving any labor market success.

In short, the difficulties of young, less-skilled men and of other groups among the working poor cannot be ignored as we discuss the fate of young women who have recently been on welfare.

After gaining employment: Job quality, retention, and advancement

Of course, welfare recipients (like any other workers) need more than just an ability to become employed. They also need to be able to retain jobs, to earn adequate levels of wages and benefits, and to perform well enough to have some chances of advancement over time, either with their current employers or others.

To what extent do welfare recipients enjoy these other traits on their jobs? Our data are based on the sample of employers that have (to their knowledge) hired at least one welfare recipient in the previous year, and focus specifically on the jobs held and their experiences with

their most recently hired recipient. These data indicate the following:

- *Starting wages averaged about $7 per hour for recipients and most were able to work full time (i.e., 35 hours or more a week).*

Only about a third of these workers earned $6 per hour or less, and fewer than a third worked 30 hours or less per week.

- *A majority are offered some type of health insurance coverage on the job, and there is at least some possibility for promotions in most cases.*

Nevertheless, there is evidence that take-up rates on health insurance are fairly low (below 50 percent among those who are offered it), because of high copayments and deductibles. Promotion is also reserved for those with particularly strong performance on the job.

- *Retention rates appear to be higher than previously thought. In these data, about three-fourths of hired recipients are still working with the same employer, even though about 8 months have elapsed, on average, since the time of hiring.*

Among those who have left the firm, average durations of employment were about 4–5 months; but the vast majority of these workers are likely to have job spells of over a year with the same employer. These data imply turnover rates below the national average for the overall workforce of about 40 percent per year.

- *Job performance has also been relatively positive on average, with over 80 percent of welfare recipients rated as good as or better than employees typically hired into the same positions.*

About a third of these workers were considered better than the typical employee and about half were considered as good. Of course, they were generally being compared to other less-skilled workers in the same low-wage jobs.

These data paint a relatively positive picture of performance and job retention for the average welfare recipient hired. At the same time, a number of other findings generate some cause for concern. For instance:

- *Absenteeism on the job is a pervasive problem, experienced by over 40 percent of employers that have hired welfare recipients. The most frequent causes of absenteeism are problems with child care, transportation, and health.*
- *Other problems related to "soft skills," such as poor attitudes toward work or relations with coworkers, are noted in significant numbers of cases.*

Almost 20 percent of employers indicated that their welfare-recipient employees had poor attitudes toward work, and about 15 percent indicated that they had difficult relations with coworkers. In contrast, under 10 percent complained about poor basic skills or job-related skills.

- *Poor performance and turnover are frequently associated with absenteeism or attitude problems.*[12]

Among those who left their jobs, 43 percent were considered worse than average and 75 percent experienced absenteeism problems. Comparable estimates for those still employed were 8 percent and 29 percent respectively.

- *Those who quit their jobs demonstrated performance almost as negative as those discharged. Thus, relatively few quits seem to reflect opportunities for movement into better jobs.*

Among those who quit their jobs, 36 percent were rated worse than others and 70 percent experienced absenteeism problems. Among those who were discharged, the comparable estimates are 57 percent and 88 percent, respectively.

- *Performance and retention problems seem related to the characteristics of jobs filled as well as the individuals in the job. Where welfare recipients have been more aggressively pushed into the job market, problems seem somewhat more plentiful.*

Those in jobs that provide health insurance or opportunities for advancement experience fewer problems than those in jobs without these features. All else equal, higher wages on the job are also associated with lower turnover among less-skilled workers.[13] Thus, the quality of the job attained may independently affect outcomes experienced by these workers. Finally, the incidence of performance and retention problems was highest in Milwaukee, where employment has been pushed very aggressively among welfare recipients (as part of the "Wisconsin Works" program), and much lower in Los Angeles, where implementation of welfare-to-work activities has proceeded more slowly. These problems are, to some extent, part of the price paid for the rapid entry of many unskilled welfare recipients into some labor markets around the country.

There are a few caveats with regard to these findings. For instance, the positive findings on performance and retention may at least partly reflect the fact that those who have the most difficulty finding employment at all will be underrepresented in these data on recent hires, as will be those who work mostly in the informal sector. The relative lack of problems associated with basic skills in these data no doubt reflects some of the same characteristics of the sample—in other words, among those welfare recipients who manage to work, and in the jobs that they currently obtain, limited basic skills are not in most cases viewed as serious problems. But these skills are likely to be more serious impediments among those who cannot easily obtain work or those who seek and aspire to better jobs.

Nevertheless, an overall view of the performance of welfare recipients in the workplace emerges from these data, and once again the picture is mixed. The majority of

working welfare recipients do not suffer from serious performance problems or poor retention in their current jobs. At the same time, wages and benefits are modest on the jobs they have obtained, and few seem to be leaving to find better work elsewhere. Poor performance and/or retention are observed in a more limited fraction of cases (about a fourth of these workers), and some problems like absenteeism are even more pervasive, and frequently linked to child care and health issues. These broader problems will no doubt limit workers' potential for wage growth on these jobs as well as their mobility to other firms. And the "hardest-to-serve" among recipients, who work relatively little, constitute a somewhat different group altogether with more severe labor market problems.

What do these findings imply for TANF reauthorization and other policies?

These findings about the relationships between employers, their workplaces, and welfare recipients have a number of important implications for policy that should be kept in mind as we discuss TANF reauthorization and other issues.

- *Those with difficulties gaining employment should be able to receive a range of work-related supports and services under TANF and related programs.*

As indicated above, most of the jobs available to welfare recipients may be out of reach of those with serious deficiencies in basic skills and other personal limitations; they will need other options (such as "supported work" or community service jobs) while on welfare or afterwards. For other recipients, problems related to "space" (such as transportation or social networks) and "race" (such as employer discrimination) may well limit employment options. State and local TANF agencies should be encouraged to address these problems, and may require both technical and financial assistance from the federal government in such efforts.

- *Welfare recipients will be vulnerable to an economic downturn, and so appropriate "safety nets" need to be in place when this occurs.*

The traditional response to diminishing job availability in a downturn is for low-wage women to return to the welfare rolls. However, many women will be unable to do so, either because of time limits or other state actions that limit their access to the rolls. Furthermore, although eligibility among former welfare recipients for Unemployment Insurance may be somewhat greater than was originally thought, most recipients will remain ineligible for this program as well.[14] States will also be under financial pressure to limit the work support programs that many have put into place, as rising caseloads consume the TANF surpluses that they had accumulated, and they may have difficulty meeting their TANF work requirements.

All of this suggests that a number of steps should be taken during reauthorization to limit the potential damage to poor women during a recession. For one thing, certain changes should be made in how TANF rules regarding work requirements and time limits are applied during recessionary times. The rules could be suspended (or TANF "time clocks" stopped) during a downturn—the suspension might be triggered by state unemployment rates. Alternatively, the definitions of work that count toward the requirements could be broadened to include various education and training activities.

On the financial side of TANF, a serious "contingency fund" needs to be made available to states that face financial difficulties during such a downturn. The earlier contingency fund, which has already expired, was hampered by too little funding (about $2 billion nationally) and by triggers for state participation too severe to be reached by most states in a moderate downturn.[15] A new contingency fund should be authorized with greater (perhaps uncapped) federal funding and lower triggers relevant to more moderate recessions.

Other legislative changes can be made outside of the TANF system. The Unemployment Insurance system might be revised to make it more accessible to low-wage men and women during a downturn.[16] Technical assistance or funding for community service jobs could be made available to states with particularly high unemployment rates.

- *A variety of approaches could be implemented to help those who suffer from performance and retention difficulties in the workplace, and to encourage job advancement more broadly among current and former welfare recipients.*

"Work-first" policies alone will generate some improvements in retention as work experience grows, but for those with particularly difficult personal and family situations, only small improvements in wages or retention are likely. There is some evidence that policies to "make work pay" with earnings subsidies and more generous earned income disregards, or work supports such as child care and health insurance, can improve performance and retention among welfare recipients. In contrast, postemployment services have not so far proven very effective; perhaps they can be made more effective with more careful targeting to the limited population that needs them and greater integration into preemployment assistance and planning.[17] More support for education and training, perhaps when combined with strict work rules, might generate greater potential for advancement among working welfare recipients. So, too, might policies to assist workers move into better jobs, with the same or other employers, beyond their initial job placements.

Since our understanding of what works in these areas is relatively limited, and since many states are experiment-

ing with several different approaches, perhaps the most appropriate goal for TANF is to strengthen financial incentives for states to demonstrate progress in retention and advancement, and to provide support and technical assistance for states that choose to embark on more ambitious efforts. More rigorous evaluation efforts are needed as well.

- *A wider range of efforts, under TANF and elsewhere, is necessary to address the employment difficulties of low-income men and of families that have not been recipients of cash assistance.*

One approach might be to incorporate noncustodial fathers more fully into the TANF system; for example, fathers' work experience might count toward work requirements or other employment incentives across states, and their access to various services might be increased. Of course, more TANF funding would likely be necessary in that case.

More broadly, states need to (1) improve educational outcomes and early work experience among low-income young men; (2) make available more training, community service jobs, and other supports for those with the most severe employment difficulties; (3) reform child support systems to reduce penalties on fathers with employment limitations and to raise their incentives to make their payments; and (4) make greater efforts to reintegrate exoffenders into the labor market.

On the last two points, the incentives and abilities of noncustodial fathers to accept jobs and make payments could be improved by passing through more of such payments to the families and children, or by making the noncustodial fathers eligible for the Earned Income Tax Credit and/or Medicaid.[18] For exoffenders, such efforts might include greater access to private employers before prisoners are released; greater access to "bonding" that would insure employers and their customers against risks associated with dealing with offenders; greater support for case management services and employment-related services by intermediary agencies right after release; and a greater availability of community service jobs for those who cannot find private sector employment shortly after release. ■

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[1]The survey instrument, and many sampling issues that resulted from its administration, are discussed at length in two reports by H. Holzer and M. Stoll, *Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace*, Public Policy Institute of California, San Francisco, 2001, and *Meeting the Demand: Hiring Patterns of Welfare Recipients in Four Metropolitan Areas*, Center on Urban and Metropolitan Policy, Brookings Institution, Washington D.C. The survey was administered over the phone to the individual responsible for entry-level hiring at the establishment. The sample of establishments chosen was random but stratified by size, and larger establishments were oversampled to reflect the distribution of workers across establishment-size categories.

[2]G. Acs and P. Loprest, *Initial Synthesis Report of the Findings from ASPE's Leaver Grants*, Urban Institute, Washington, DC, 2001.

[3]About 2 million women have left the rolls in recent years and joined the workforce, and employment has also increased among those still on the rolls. Present and former welfare recipients thus account for about 2 percent or less of the current labor force.

[4]For evidence on hiring discrimination against African Americans more generally in those sectors see H. Holzer, "Why Do Small Establishments Hire Fewer African-Americans than Larger Ones?" *Journal of Human Resources* 33, no. 4 (1998): 896–914, and H. Holzer and K. Ihlanfeldt, "Customer Discrimination and the Employment Outcomes of Minority Workers," *Quarterly Journal of Economics* 113, no. 3 (1998): 835–68.

[5]See also the article in this *Focus* by Danziger and Seefeldt.

[6]For more discussion of this issue see Holzer and Stoll, *Meeting the Demand*.

[7]H. Holzer, *Unemployment Insurance and Welfare Recipients: What Happens When the Recession Comes?* Assessing the New Federalism Policy Brief, Urban Institute, Washington, DC, 2001.

[8]These same issues limit the abilities of less-skilled minorities more generally to gain employment or earn high wages; see H. Holzer, *What Employers Want: Job Prospects for Less-Educated Workers* (New York: Russell Sage Foundation, 1996).

[9]These rates are based on the author's tabulations from the Outgoing Rotation Groups of the Current Population Survey.

[10]See, for instance, B. Meyer and D. Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers," *Quarterly Journal of Economics* 116, no. 3 (2001): 1063–114.

[11]Real wages declined by over 20 percent for less-educated men from the mid-1970s until the second half of the 1990s, at which point they began to improve as a result of tight labor markets, productivity growth, and statutory increases in minimum wage levels.

[12]For a fuller discussion of these issues see Holzer and Stoll, *Employers and Welfare Recipients*.

[13]H. Holzer and R. Lalonde, "Employment and Job Stability among Less-Educated Young Workers," in *Finding Jobs: Work and Welfare Reform*, ed. D. Card and R. Blank (New York: Russell Sage Foundation, 2000).

[14]See, e.g., Holzer, *Unemployment Insurance and Welfare Recipients*.

[15]The state triggers were based on unemployment rates and food stamp caseloads. But the former fell from about 5.3 percent in 1996 to about 4.0 percent over the next several years, and the latter fell nationally by almost half in that time period.

[16]Holzer, *Unemployment Insurance and Welfare Recipients*.

[17]J. Strawn and K. Martinson, *Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce*, Manpower Demonstration Research Corporation, New York, 2000; A. Rangarajan, *Keeping Welfare Recipients Employed: A Guide for States Designing Job Retention Services*, Mathematica Policy Research, Inc., Princeton, NJ, 1998.

[18]See articles in this *Focus* by Cancian and Meyer and by Fremstad and Primus.

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Barriers to employment and the "hard to serve": Implications for services, sanctions, and time limits

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The sharp drop in welfare caseloads following the implementation of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) has led to a proliferation of "leaver" studies analyzing how families leaving welfare have fared. The U.S. Department of Health and Human Services funded leaver studies in ten states and three localities, and many other states conducted their own studies. The methodologies of these studies have varied, but most have found that employment rates of former recipients range between 50 and 70 percent.[1]

The falling welfare rolls have also caused researchers, policymakers, and front-line service delivery staff to focus on those remaining on the caseload, the "stayers." Those in this group are frequently labeled "hard to serve" or "difficult to employ" because of their seeming inability to respond to the new employment-oriented and time-limited welfare system. Yet beyond the shared feature of welfare receipt, their characteristics and the factors associated with their being "hard to serve" are not well understood. One report noted, "more needs to be known about how and when conditions handicap recipients' ability to work, what portion of the cyclers or long stayers are in fact those with unidentified handicapping conditions."[2]

In this article, we describe what we have found in the first three years of the Women's Employment Study (WES), which follows a cohort of welfare recipients. We compare the characteristics of women who accumulated a relatively continuous amount of work experience from 1997 to 1999 with those who worked less; we also compare women who remained welfare recipients for most of this period with those who received welfare in fewer months. We first discuss how these findings build on existing research; next, we examine the barriers to employment associated with welfare recipients who are often defined as "hard to serve" and discuss the ways in which policies such as sanctions and time limits may affect these recipients.

Research findings about the "hard to serve"

The phrase "hard to serve" entered the welfare reform vernacular as a way to categorize individuals who have difficulty in the post-PRWORA welfare system. "Hard to serve" implies that the needs of some recipients may be beyond the scope of services that are typically available in welfare or welfare-to-work offices.[3] Clients labeled "hard to employ," which is used interchangeably with "hard to serve," have characteristics that impede their ability to find and keep jobs. PRWORA's work requirements and its 60-month federal time limit on benefit receipt are based on the supposition that relatively few people will be unable to find work and move off the rolls on their own through current program supports; states are allowed to exempt no more than 20 percent of the caseload from the time limit.

From the beginning, some analysts have questioned whether this proportion is large enough to cover all who might need additional time on assistance. A study by the General Accounting Office (GAO) has noted that although more adult heads of welfare cases are engaged in work or work-related activities than ever before, the majority are not. In fiscal year 1999, 42 percent of TANF cases were in activities that could be counted toward the federal work participation rate defined in PRWORA—employment, job search, and other employment preparation activities. The GAO suggests that some of this failure to participate may be due to the work barriers faced by long-term recipients.[4]

What barriers could make welfare recipients "hard to serve?" Several reviews suggested, even before PRWORA was enacted, that personal and family challenges might impede welfare recipients' ability to find jobs.[5] These problems could be employment-related—low basic skills and learning disabilities, lack of recent work experience, lack of "work readiness" or "soft skills," experiences with employer discrimination. They might be related to physical disabilities, health limitations, substance abuse, or mental health problems of parents or children. They might include family breakdown or instability: domestic violence, involvement with the child welfare system, housing instability. Child care and transportation problems, limited English proficiency, and prior felony convictions might also impede employment.[6]

Estimates of the proportion of recipients who faced such barriers and of how closely the barriers were associated with welfare and work varied greatly, depending on the study.[7] But as welfare caseloads continued to decline, more policymakers and front-line staff became concerned that those still receiving assistance might be disproportionately difficult to employ.

More recent analyses have questioned whether those who remain on the caseload are in reality more disadvantaged than those who have left welfare. Sheila Zedlewski, using data from the National Survey of America's Families, looked at barriers to employment in each state between March 1994 (when national welfare caseloads were at their peak) and February 1997 (the beginning of TANF implementation). Welfare recipients living in states with steep caseload declines should be "harder to serve," since those states will already have moved the most employable off the rolls. But Zedlewski found that welfare recipients living in states with the greatest caseload declines were less likely to report barriers to work than respondents in states where caseload declines were low or moderate. Zedlewski acknowledged that these results were exploratory and could change as states began implementing welfare reform in earnest.[8] Several other studies have found few differences in employment, work experience, education, and other measures between groups that left welfare at an earlier stage of the post-1996 reform and those that left later, thus refuting the assumption that those who left welfare early were better off.[9]

These studies may, however, underestimate the employment difficulties that face those remaining on welfare if many important barriers to employment are mismeasured or not measured at all. Furthermore, studies that take a snapshot of individuals at one point in time cannot address the extent to which barriers persist over time and the possible effect of such persistent barriers on consistent employment or longer-term welfare use. We draw upon three years of panel data from current and former welfare recipients to make two sets of comparisons that seek to illuminate the characteristics of those who may be hard to serve. We compare former recipients who have maintained consistent employment with those who have worked less, and recipients who have remained nearly continuously on welfare with those who have less time on the rolls.

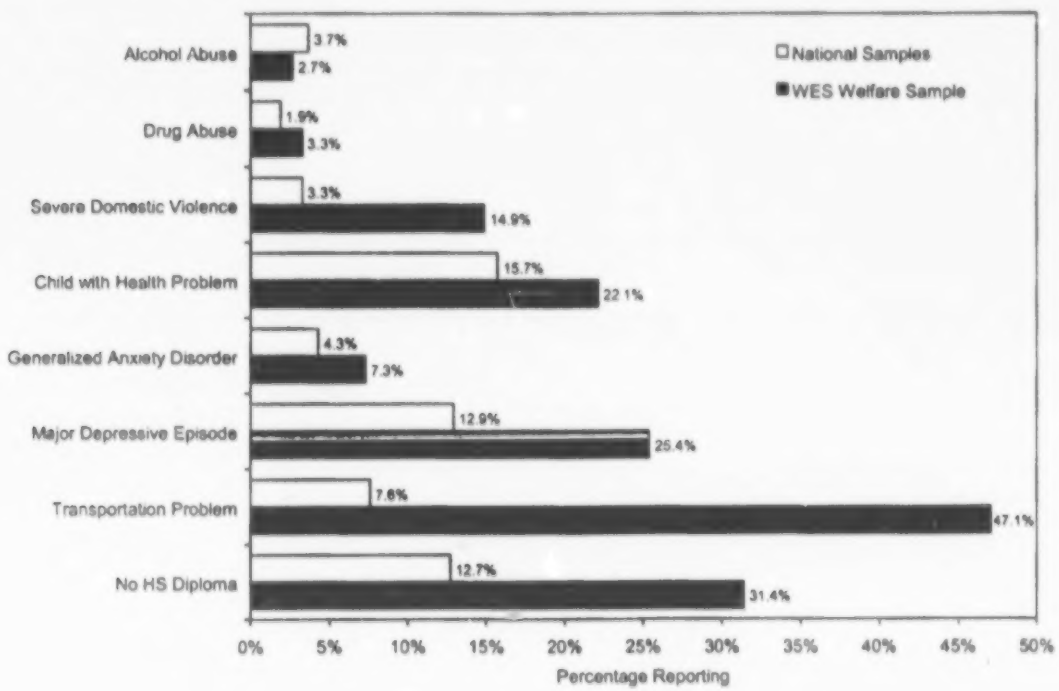

Figure 1. Employment barriers facing welfare mothers in the Women's Employment Study and those facing a national sample of women of comparable ages.

Sources: Current Population Survey, 1998: percentage of all women aged 18–54 who do not have a high school diploma or equivalent; 1990 census: percentage of all women aged 18–54 who live in households with no vehicle available; 1994 National Co-morbidity Survey: percentage of all women aged 15–54 who meet clinical criteria for a major depressive episode, Generalized Anxiety Disorder, or drug or alcohol abuse; 1994 National Longitudinal Survey of Youth: percentage of all mothers aged 29–36 with children who have one of six limitations; 1993 Commonwealth Fund Survey and 1985 National Family Violence Survey: percentage of all women aged 18 and over who report current, severe, physical abuse. HS = high school.

The Women's Employment Study

The Women's Employment Study (WES) measures a comprehensive set of potential barriers to employment among welfare recipients. The measures encompass a range of domains previously shown to have a negative effect on employment.[10] These include:

Work skills, training, and experience (less than a high school education, low work experience, knowledge of few workplace norms such as those concerning lateness and absenteeism, few job skills, perceived discrimination on previous jobs, learning disability, low literacy);

Psychiatric disorders or substance dependence within the past year (Generalized Anxiety Disorder, social phobia, major depressive disorder, Post-Traumatic Stress Disorder or PTSD, drug dependence, alcohol dependence);

Physical health problems (maternal health problems or child with health problems);

Other barriers (domestic violence, transportation problems, child care problems, criminal convictions).

The WES sample was drawn from the February 1997 TANF rolls in one urban Michigan county. Sample members were all female, single-parent heads of TANF cases between the ages of 18 and 54 and either white or African American. In 1997, 753 women (an 86 percent response rate) were interviewed, in 1998, 693 (a 93 percent response rate), and in 1999, 632 (a 91 percent response rate).[11]

Figure 1 shows how WES respondents compared to national samples of adult women in the prevalence of some of these barriers when we first interviewed them. WES respondents were much more likely than all women of comparable ages to be without a high school diploma, to have a transportation problem, to meet the criteria for a major depressive and/or a Generalized Anxiety Disorder, to have a child with a health problem, and to have recent experience with severe domestic violence. However, they were no more likely to report drug or alcohol abuse.

Although other studies have examined the prevalence of various barriers to work, the WES is the only one to date that provides information on the effects of these barriers on employment. Multivariate analyses of WES data from the initial interview showed that the likelihood that a respondent was employed part time was significantly reduced if she had any of the following: no high school diploma, little work experience, few job skills, perceptions of discrimination, a transportation problem, met the diagnostic screening criteria for depression, and had a maternal or child health problem.

Table 1 compares women in the sample that have the highest work and welfare histories to the remainder of the sample, examining the persistence of characteristics that are both more prevalent among TANF recipients than among the general population of women and/or significantly related to the women's probability of employment and welfare receipt at a particular time. In columns 1 and 2, WES respondents who accumulated a great deal of work experience from 1997 to 1999 are compared with those who worked less over the same period. In columns 3 and 4, respondents who continued to receive TANF cash benefits for most of this period are compared with those who received benefits in fewer months. We consider that those who worked in at least 75 percent of the months in the study period are least likely to be "hard to serve." In contrast, women who spent at least 75 percent of those months as welfare recipients are most likely to be "hard to serve."

We first examine employment-related barriers, as determined at the baseline interview (these characteristics could change over time as a function of later work experience). We then examine, in turn, the other possible barriers identified earlier in this article, paying particular attention to the duration of these conditions or circumstances—for example, whether women experienced problems in only one year of the study, in two years, or in all three.

Employment duration and barriers over time

From Table 1 it is clear that those who worked in fewer months—50 percent of the sample—are significantly less likely than women who worked at least 75 percent of the months to have a high school degree; they also have used fewer job skills, reported four or more experiences of discrimination in the first year of the study, and are significantly more likely to have experienced the other barriers in multiple years. For example, 31 percent had no access to transportation in all three years, compared to only 12 percent of those who worked most of the time. And they were more likely to experience mental health problems than those who worked most of the time.

The consistently employed group only rarely reported barriers persisting over time. There is one exception: a substantial minority, 18.9 percent, of this group reported a serious physical health problem in all three years of the study. These respondents may have found jobs which accommodated their health limitations. A significantly larger proportion, about one-quarter, of those who worked less had persistent physical health limitations.

Long-term welfare use and barriers over time

About one-third of the respondents received welfare for 75 percent or more months of the study period. These women are significantly more likely to have six of the nine problems. For example, just under a third reported persistent transportation (29.6 percent) and health problems (29 percent) in all three years, compared to fewer than one-fifth of women who were mostly not on welfare. Persistent welfare users were also more likely to experience severe domestic violence in one or two years.

Table 1
Barrier Conditions over Time and Relationship to Employment Duration and TANF Receipt, Women's Employment Study, 1997–99

Barriers	Employment		TANF Receipt	
	% employed 75%+ of months	% worked < 75% of months	% rec'd TANF 75%+ of months	% rec'd TANF < 75% of months
	(n = 291)	(n = 290)	(n = 186)	(n = 395)
High School Diploma/GED (1997)				
Yes	80.4	60.7***	62.4	74.4***
No	19.6	39.3	37.6	25.6
Job Skills (1997)				
Used 4+	88.0	72.4***	75.3	82.5**
Used <4	12.0	27.6	24.7	17.5
Perceived Job Discrimination (1997)				
< 4 types reported	90.0	82.1***	84.9	86.6
4 + types reported	10.0	17.9	15.1	13.4
Transportation				
Has car/license each year	59.8	38.3***	37.1	54.7***
No car/license one year	16.5	15.2	14.0	16.7
No car/license two years	11.7	15.5	19.4	10.9
No car/license all three years	12.0	31.0	29.6	17.7
Mental Health				
No mental health problems any year	50.2	39.3**	40.9	46.6
Problems in one year	25.1	27.9	24.2	27.6
Problems in two years	17.5	20.3	22.0	17.5
Problems in all three years	7.2	12.4	12.9	8.4
Physical Health				
No high physical health limitations any year	39.2	25.9***	25.3	35.9***
Limitations in one year	21.6	20.7	17.7	22.8
Limitations in two years	20.3	27.6	28.0	22.0
Limitations in all three years	18.9	25.9	29.0	19.2
Children's Health				
No children with health limitations any year	68.0	60.0**	56.5	67.9***
Limitations in one year	21.6	21.0	22.6	20.8
Limitations in two years	7.2	12.4	12.4	8.6
Limitations in all three years	3.1	6.6	8.6	3.0
Domestic Violence				
No severe domestic violence any year	46.0	36.2**	34.4	44.3**
Severe domestic violence only before 1997	26.8	29.3	28.0	28.1
Severe domestic violence in one year	20.3	19.7	23.7	18.2
Severe domestic violence in two years	5.5	11.7	12.4	6.8
Severe domestic violence in all three years	1.4	3.1	1.6	2.5
Alcohol and Drugs				
Never meets dependence criteria any year	93.5	86.9**	88.7	90.9
Meets criteria in one year	4.1	11.0	8.6	7.1
Meets criteria in two years	2.1	1.7	2.2	1.8
Meets criteria in all three years	0.3	0.3	0.5	0.3

* p<.1, ** p<.05, *** p<.01

Note: We exclude from our analyses 24 respondents who moved from the TANF rolls onto the Supplemental Security Income (SSI) program for low-income disabled persons.

Given the high prevalence of these barriers among women who spent more months on TANF and the persistence of these barriers over time, it seems reasonable to conclude that those left on the rolls have attributes which make them "hard to serve," particularly in a work-first environment.

Policy and program implications

The kinds of skill deficits and personal problems documented for Michigan TANF recipients in Table 1 are not frequently nor systematically addressed within the rapid-employment, welfare-to-work model now widely used across the country. What most local agencies do offer unemployed recipients includes job search readiness activities, such as résumé writing and mock interviews, and/or job search experiences, such as bringing employers on site for interviews. These activities are typical of "work first" programs that have been implemented nationwide in recent years. Most welfare agencies also have experience determining the extent to which education, child care, and transportation are barriers to employment and have the resources to address these problems.

When we examined the implementation of Michigan's welfare-to-work programs, however, we found that a number of the barriers shown here, particularly mental health, domestic violence, and other barriers not easily observed by staff are not commonly identified. In Michigan, moreover, self-disclosure is the primary means by which a caseworker may find out about a recipient's personal problems and refer her to treatment or other services.[12] In many states clients are screened for various barriers to employment, but this process is typically done through a structured interview with the TANF caseworker that does not include use of specialized tools or assessment instruments designed to uncover barriers such as domestic violence or mental health problems.[13]

Michigan program managers told us that they would like to have the flexibility to provide a wider range of screening, assessment, and referral services and to have more time to work with the most disadvantaged recipients. A large part of the "hard to serve" issue, then, is not that recipients' characteristics inherently make them "difficult" individuals but that the services stressed in work-first programs are not oriented to their needs. Welfare-to-work programs that focus mainly on providing job-seeking skills to recipients are likely to find multibarrier clients "hard to serve," given the mismatch between their services and clients' needs.

A few states have developed programs that identify a wide range of problems and provide mental health, substance abuse, and other counseling/treatment services. For example, TANF workers in Utah screen clients for a number of barriers using a standardized tool. If the results from that screening indicate a possible mental health or substance abuse problem, the client is seen by a trained social worker who administers further diagnostic assessment tests.[14]

The failure to identify problems puts the "hard to serve" at higher risk of sanctions if their problems make them less likely to comply with welfare program requirements. After the passage of welfare reform, many states increased the severity of their sanction policies. Thirty-six states now terminate benefits entirely, either at the first point of noncompliance or after a period of noncompliance. Seven of these states use "lifetime" sanctions against recipients who are in continued noncompliance—in effect, such sanctions function no differently from the time limit.[15]

Recipients who have left welfare because they have been sanctioned, as opposed to those leaving for other reasons, have been shown to have more work barriers, including lower education levels, mental health problems, and child care and transportation difficulties.[16] Moreover, former recipients who left welfare because they were sanctioned are much less likely to work than those leaving welfare for other reasons.[17] Since WES respondents whom we categorize as "hard to serve" because of their long-term welfare use do not include those who may have already been sanctioned (and thus have not accumulated many months on welfare), our definition of "hard to serve" is limited. Follow-up interviews with sanctioned families, or assessment and referral before the sanction is levied, could potentially uncover some problems and help another group of the hard to serve receive the services they need.

There are, moreover, few options of last resort for recipients who reach state time limits, especially if they lack work skills or transportation or have one or more of the other problems we have identified. In early 2001, just over half (28) of states were following the federal, 60-month cumulative time limit. Five states had imposed shorter time limits, ranging from 21 months in Connecticut to 48 months in Georgia. Another 13 states were using the "fixed-period" time limits, whereby a recipient may receive welfare benefits for a certain amount of time, for example 24 months, but then cannot receive TANF again for a period of time. In all but one of these states, the cumulative time on assistance was 60 months. Finally, five states specified that the time limit would primarily affect adults on assistance; children would continue to receive assistance, either up to 60 months or indefinitely.[18]

By mid-2000, it appeared that roughly 60,000 families nationwide had lost welfare benefits because of time limits, the majority of them in three states (Connecticut, Massachusetts, and Louisiana). In two states where random assignment to time limits was in effect (Connecticut and Florida), there is little evidence that the time limits increased work, but some evidence that they may have reduced incomes and caused some families to leave wel-

fare earlier than necessary in order to save months of eligibility.[19] The results of these studies are not definitive, however, and the effect of time limits on individual families will depend upon the mix of other policies in place in a state, particularly the state's policies regarding extensions and exemptions to the time limit. Currently, there is little information on the extent to which states are granting extensions or exemptions to recipients and for what reasons.

There is every reason to believe, but little evidence to date, that a disproportionate number of the women who will exhaust their time limits will be similar to the WES respondents who had already accumulated, on average, 30 months on welfare between early 1997 and late 1999. They will have more—and more persistent—barriers to employment if they exhaust their benefits without receiving assessment, referral, and treatment or supportive services.

The WES study does not include new entrants, but follows women who were receiving TANF in early 1997. It is likely that a greater proportion of new entrants might have multiple persistent barriers, given that caseloads fell between 1994 and 2000, and the economy probably absorbed more potential welfare recipients with few barriers to employment. It seems, then, important to screen new entrants as well as those who have been on the rolls for many months. Job-search programs could be supplemented to address the kinds of problems we documented, and corrective actions could be taken in response to individualized screening and assessment. Another potentially promising avenue is supported work programs, in which recipients are placed in highly structured and supervised workplaces and are provided with case management services.[20]

Whatever the methods chosen, states should be encouraged to increase assessment, referral, and use of a wide array of services. For example, states could count toward their own work requirements the activities that are aimed at resolving barriers to employment. Work-based welfare programs that do not diversify services to address persistent and multiple barriers risk penalizing, through the policy levers of sanctions and time limits, the most vulnerable TANF recipients and their families. ■

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Welfare reform and the vulnerability of mothers with intellectual disabilities (mild mental retardation)

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The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 represents landmark legislation in the history of public assistance. Multiple political, social, and economic forces propelled this legislation, with consequent major impact on many families as well as on local, state, and federal programs.[1] This article focuses on an especially vulnerable group of mothers from among those eligible for Temporary Assistance for Needy Families (TANF), the main cash welfare program. These are mothers with intellectual disabilities, whose cognitive impairment may be variously labeled as "mild mental retardation," "borderline intelligence," or "learning disability" by school authorities, psychologists, physicians, and social and health service agencies.

Perhaps the most startling fact is that mild mental retardation—defined as having an IQ between 55 and 70 or 75 coupled with significant deficits in adaptive behavior (e.g., social behavior, communication skills, personal responsibility, academic skills, community living skills)—typically is not diagnosed clinically until the middle school years, when children encounter repeated difficulty in the academically demanding school environment. Further, when these children leave school, their intellectual disability often becomes less apparent, and young adults do not like using "mentally retarded" as a term to describe themselves. Thus, the presence of mild mental retardation often is overlooked or unrecognized by agencies and clinics that serve large numbers of very low income mothers and children.[2]

Although the school label of mild mental retardation may be dropped for understandable reasons in adulthood, this does not indicate that these mothers no longer have serious difficulties in negotiating their daily lives. Particularly salient are challenges in fulfilling their parental responsibilities and achieving the goal of economic self-sufficiency. Indeed, there is substantial evidence that mothers with mild mental retardation are a highly vulnerable group; so, too, are their young children, who are at high risk for mental retardation themselves.[3]

Mothers with intellectual disabilities are especially vulnerable during periods when major support programs are in flux, in large part because the nature of their disability limits their capacity to readily comprehend their rights and responsibilities, to negotiate complex and fragmented service delivery systems, and to obtain appropriate assistance in times of dire need.[4] Changes in systems can be disconcerting for those who work in them and can create additional barriers for those who need to use them. Further, the social stigma of mental retardation is so great for many of these mothers that they often actively conceal the disability to protect their dignity and to maintain parental rights.

We have identified four key issues that we believe will enable the welfare system to improve outcomes for families previously unable to achieve and sustain self-sufficiency. These are (1) identifying mothers who have intellectual disabilities (mild mental retardation) with accuracy and compassion; (2) simplifying policies and procedures and improving ways to explain the criteria and the processes for acquiring eligibility; (3) establishing a community-based safety net for highly vulnerable families; and (4) enhancing the capacity of educational, vocational, health, and social service providers to assist mothers with mild mental retardation in achieving the desired program outcomes. We consider each in turn here.

Accurate and compassionate identification of mothers with intellectual disabilities

The definitions of mental retardation are frequently in flux. Leading professionals take strong and divergent positions about matters such as the degree to which different words, used as diagnostic labels, inflict social stigma on individuals; the adequacy of standardized intelligence tests to measure important dimensions of applied intelligence (e.g., a person's ability to solve everyday problems and understand real-life situations); the cutoff points to be used in classifying a person as mentally retarded (e.g., whether the IQ cutoff should be established as equal to or below 70 or 75); and how to measure adaptive behavior.

Over the past 50 years, the American Association on Mental Retardation has revised its guidelines for the diagnosis and classification of mental retardation four times; a fifth major revision is now in process.[5] Briefly, the most widely used definitions embrace the following elements: (1) significantly subaverage intellectual performance, as documented by performance on a standardized test of intelligence that is about two or more standard deviations below the mean; (2) significantly

subaverage adaptive behavior in multiple domains, such as communication skills, independent living skills, work skills, social skills, and academic skills; (3) onset in childhood or adolescence (prior to age 22); and (4) the anticipation of lifelong challenges associated with the person's intellectual and adaptive behavior limitations.

Estimates of the current prevalence of mental retardation in the United States range widely, from about 1 to 3 percent.[6] The uncertainty of the true prevalence reflects differences in the methodology, definitions, and populations used in these studies, as well as the well-documented inadequacies of administrative records, such as those available from special education, state mental retardation or developmental disabilities systems, and the Social Security Administration.

As for women receiving TANF, one study estimates that approximately 30 percent are eligible for Supplemental Security Income (SSI) under the administrative category of "mental retardation."[7] Although this estimate may appear high, it is consistent with findings from other studies. For example, in a recent, large-scale study of inner-city, Medicaid-eligible pregnant women, about 25 percent received scores on standardized tests of receptive language and/or literacy skills comparable to those of individuals with mild mental retardation; in an eight-site study of 985 premature, low-birthweight infants, 31 percent of their mothers earned scores equivalent to an IQ of 70 or below.[8] In the National Longitudinal Study of Youth, among adolescent mothers (predominantly from very low income families), 38 percent had very low tested intelligence, most within the range of mental retardation.[9] This finding is particularly relevant, because Isabel Sawhill reports that half of all current welfare recipients had their first child as a teenager.[10]

Given the likelihood that there are many mothers with low IQs in the welfare population, the challenge is how to train personnel to identify these mothers, so that their disability-specific needs are met. These needs are likely to include extra help as they apply for, enter, and leave the welfare system, as well as encouragement to participate in job training, to seek competitive employment, and to access subsidized child care.

Ideally, agency personnel should receive training about mild mental retardation and learning disabilities. They should learn how to seek information in ways that are easy to comprehend, sensitive to and respectful of the person's disability, and elicit useful answers. This training could increase the detection of likely intellectual disabilities, so that disability can be documented and subsequent administrative decisions, recommendations, and referrals will be well informed.

When TANF recipients with mental retardation are eligible for public assistance through other federal or state programs, early referral is likely to be beneficial. If it is discussed in a straightforward, caring manner, a mother may be willing to undergo the required formal assessment. Recognition of mild mental retardation can help a mother avoid being unfairly judged as lazy, unresponsive, rude, or uncaring by those who have not considered that an intellectual disability is hindering compliance or full participation in welfare-to-work programs.[11]

Simplification of policies and procedures

The policies and procedures associated with most federal and state programs for low-income families are complex and difficult to understand, even for individuals with no intellectual disability. For mothers with mental retardation, these complexities constitute a barrier, and could be considered a violation of the Americans with Disabilities Act of 1990. A thorough and systematic review of the clarity of policies and procedures could facilitate equitable treatment of low-income mothers with mental retardation.

Establishing a community-based safety net

Many adults with mental retardation can be successfully employed for long periods and assume responsible roles in society.[12] Almost always, however, these individuals have multiple and sustained support systems as they transition from school into adulthood. When mothers exceed the TANF time limitations, the adequacy and stability of their supports to achieve self-sufficiency warrant consideration. If mental retardation is a primary contributing factor, then long-term income support from the SSI program under the disability category of "mental retardation" may be appropriate. To receive SSI entitlement, a good referral system is essential, because the SSI application and ascertainment process is cumbersome and quite lengthy.[13] Understandably, persons with mental retardation encounter difficulties in negotiating the SSI system without assistance.

Enhancing the capacity of community providers to serve mothers with mental retardation

Because nearly all mothers with mild mental retardation are poor, understanding their range of life situations is vital to creating an effective safety net.[14] These women feel the brunt of social stigma, but they vary widely in their adaptive behavior and coping strategies, which are often based on early experience and training. Persons with mild mental retardation have the full range of temperaments and personal characteristics known in human nature, and desire and drive are associated with both temperament and experience. Co-morbid conditions—substance abuse, mental illness and affective disorders,

and physical disabilities—also occur in this group of women.

Family experience varies within a certain range for mothers with mental retardation (see the box on p. 85 for a detailed case history). Mild mental retardation has strong familial associations. Families with higher resources are much more likely to protect a daughter with mental retardation from becoming pregnant or from rearing her child. In contrast, in low-resource families, mothers with mental retardation often have mothers and other relatives who also have this disability. This familial pattern limits the natural support system for these vulnerable mothers.

In their affection for their children and their striving to take responsible actions, mothers with mental retardation are remarkably like most mothers in any culture: loving and highly motivated to do the best for their children. There are major challenges associated, however, with both parenting and employment; these challenges are magnified when such mothers are expected to fulfill both roles at the same time.

We have made the case that mothers with mental retardation are characterized by a range of attributes and do not have precisely the same abilities and limitations. Persons with mental retardation want respect and dignity just as other people do, and some of the behaviors that help them conceal their disability are those often associated with being lazy. Many persons with mild mental retardation have worked hard in school and received a diploma or "completion certificate," but even for this group, basic academic skills are weak.

Persons with mental retardation easily become confused with multitasking demands of the kind that characterize parenting and now most jobs. They have often had unsuccessful classroom experiences and consequently are not attracted to classrooms, books, or reading material as ways of learning—yet job training programs often use classroom instruction and assume minimal reading and math skills. As adults, these individuals tend to be woefully inadequate in solving problems on the spot, such as deciding what to do when the bus doesn't run, utilities are cut off, a check arrives late, the job demands change, or a child care provider closes down; indeed, such experiences can be paralyzing for a person with mental retardation. Thus routine changes or nuisances in life can jeopardize the basic ability of a woman with mental retardation who is both a mother and an employee.

For very low income women with mental retardation and parenting responsibilities, a comprehensive set of community services and referrals is essential. These range far beyond income maintenance programs and should include adult education and job training as well as the extensive supports in most states for children, including Early Head Start, Head Start, state-funded school readiness programs, health screening services, early intervention for "at risk" children and children with disabilities, subsidized child care, and programs to prevent neglect and abuse.

Above all, the assurance of continuity in health care insurance (primarily Medicaid or new state programs) is likely to be a key factor in a mother's willingness to leave welfare and seek employment.[15] Although the need for creating a coordinated system has been almost universally recognized for several decades, practical and legal issues of funding, regulatory compliance, and accountability provide virtually no incentives to create a safety net for mothers with mental retardation.

Conclusion

A large, although not precisely known, proportion of women receiving TANF have significant intellectual disabilities, usually sufficient to qualify them as being "mentally retarded"—by some estimates 25–35 percent of TANF recipients may be mildly mentally retarded. Agency personnel are not sufficiently trained to detect the invisible disability of cognitive impairment (mild mental retardation) and seldom know how to interact in a more individualized and effective manner with these mothers. These recipients are among the least able to seek, obtain, and sustain employment and to fulfill the demanding role of being a good parent, unless their mental retardation is recognized in a timely and sensitive manner, their rights and responsibilities are clearly explained and reiterated to them, and communities establish a safety net for their highly vulnerable family units.

Without appropriate supports and opportunities for continued education and training in adulthood, these mothers are not likely to achieve satisfactory or stable economic and personal self-sufficiency. Further, their own children, even when born healthy, are likely to become intellectually compromised by the time they enter public school, thus contributing to an intergenerational pattern of incompetence, social marginalization, and societal dependence. Model programs of prevention and early intervention have been developed but rarely are adopted as part of ongoing social and health service delivery systems.[16]

Previous welfare reform efforts have failed to directly address the unique needs of this population. The urgency of this oversight is likely to become increasingly apparent as the time limits for TANF run out for many mothers in the near future, and other mothers whose TANF support recently ended are faced with insurmountable problems in their ability to survive and adequately care for their children. ■

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[15] R. Blank and R. Haskins, eds., *The New World of Welfare* (Washington, DC: Brookings Institution, 2001).

Case History of a Former TANF Recipient with Mental Retardation

Linda B is a 20-year-old mother of Billy, age 3 1/2, and Kathy, age 6 months. Linda lives in a housing project near her divorced mother and two sisters. One sister is also a single parent of two children; the other sister has three children and is married to a construction worker who is very good at his job and stays consistently employed in an industry subject to seasonal and economic cycles. Linda's brother is in jail. His friends come to all of the family members from time to time asking for "loans" or emergency assistance.

Linda graduated from high school with a completion certificate and a record of perfect attendance. She reads at a second-grade level and has irregular abilities for the simplest of math computation. Consequently, she cannot accurately make change or manage money very well. She knew her address and phone number until her move six months ago and now can't remember more than the first three digits of the phone number. She knows her street name and apartment number but primarily says she lives "by the big church on the corner."

Linda is a loving mother but is very concerned that her children not be "spoiled" so she tries to be strict and expects adult behavior from them. Billy's mobility and curiosity have prompted several emergency room visits and an investigation by protective services. Because she loves Billy so much, she makes him sit in front of the television with several baby rattles and a Glow-worm for toys. She does not play with or talk with Billy except to give him orders to sit still and stop crying. Linda is basically very even-tempered, even indulgent, but she is becoming increasingly frustrated and angry because Billy does not seem to have any interest in potty-training. Even when she spanks him, he does not cooperate by going to the bathroom on his own. Kathy is a quiet baby who mostly eats and sleeps and Linda is proud of having such a "good" baby even though she has a "bad" boy. One day when Kathy was crying a lot and Linda was changing Billy's diaper during an episode of diarrhea, she simply covered Kathy's face with a blanket. Since this stopped her from crying, Linda now uses this technique to help Kathy to be a "good" baby. It is very important to Linda that she raise good children. She worked very hard in school and even though she was teased as a "retard" almost every day and sometimes had rocks thrown at her, she persevered because completing high school was her dream. She knows that people with high school diplomas are better mothers and have more money for their families and she wants this desperately.

Linda is excited about working at a local fast food restaurant. Linda's mother, sisters, and brother have never worked anywhere for more than a month. Linda does not think to ask about benefits or continued eligibility for housing assistance. The idea of getting a check every single week for $150 sounds like a great deal of money.

Billy and Kathy will go to a new day care center. The day care workers are former TANF recipients and many are people Linda knows. Two of her brother's former girlfriends work there as do the various past and present girlfriends of her brother's friends who continue to come around. Her sister and brother-in-law have expressed their concern to her and for a short period tried to take care of Linda's children, but the burden of extra children in the household and the fact that Linda always forgot to bring food, diapers, and could never pay her sister any money made this a very strained relationship.

When Linda was oriented to the fast food restaurant, she found that she could wrap the hamburgers really well and really fast. The manager said that she was better at this task and learned more quickly than anyone else she had ever trained. This positive affirmation surpassed anything Linda ever experienced in school. She would love to wrap hamburgers all of the time. However, it is necessary to be able to wrap hamburgers, make milkshakes, pour drinks, make French fries, package the French fries, keep supplies stocked, operate the computerized check register and make change for customers. The French fry machine and making change are very hard for Linda and she makes many mistakes. Some of her coworkers say angry or hurtful things to her. Another coworker tries to joke with her but Linda doesn't understand the joke and thinks it is a put-down. One day Linda worked 13 hours because she didn't know it was time to go home. The day care workers were furious because someone had to keep the center open until she came and they did not have her work phone number, which was just as well since she cannot take personal calls for any reason. When the bus did not come on a rainy day, she tried to walk to work with Billy and Kathy but got lost. Billy and Kathy were not dressed for bad weather; both became very sick and Kathy had to go to the hospital. Linda lost her job and child protective services are again investigating her fitness to be a mother.

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[4]L. Karoly, J. Klerman, and J. Rogowski, "Impacts of the 1996 Welfare Reform: Changes to the SSI Program," in Blank and Haskins, eds., *The New World of Welfare*.

[5]R. Luckasson, ed., *Mental Retardation: Definition, Classification, and Systems of Supports* (9th ed.; Washington, DC: American Association on Mental Retardation,1992); Ad Hoc Committee on Terminology and Classification, "Request for Comments on Proposed New Edition of *Mental Retardation: Definition, Classification, and Systems of Supports*," American Association on Mental Retardation *News & Notes* 14, no. 1 (September-October 2001): 9–12.

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Responding to changing family organization

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The original language in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 stresses the importance of designing public policy that encourages both parents to meet their responsibilities to their children. The work requirements in the legislation reflect the idea that mothers, as well as fathers, have a responsibility to support their children financially by working for wages, rather than relying on public benefits. PRWORA's efforts to increase child support enforcement and establish paternity for children born outside marriage reflect the idea that all parents—including fathers not married to the mothers of their children and parents not living with their children—share financial responsibility. These elements of recent welfare reform may be seen as responses to important changes in family organization. In this article we review some of these changes and the potential policy responses, and suggest some implications for reauthorization of PRWORA.[1]

We believe public policy must account for and respond to changes in family organization in order to be effective. Ideally, such policies will also support the formation and maintenance of stable two-parent families. However, efforts to meet the needs of vulnerable children will often simultaneously reduce the economic disincentive to end a marriage or to bear a child outside marriage. We argue that when a conflict exists, the primary goal of policy should be to reduce economic vulnerability, rather than to change the incentives in an effort to discourage the formation of single-parent families.

How has family organization changed?

In 1970, 42 percent of all families included an employed father, a homemaker mother, and children.[2] By 2000, only 16 percent of families fitted this model.[3] Although recent evidence suggests some trends may be leveling off, a variety of changes in marriage patterns and in marital and nonmarital childbearing, as well as substantial increases in women's employment, have contributed to a dramatic long-term reshaping of family organization.

Increases in divorce and declines in marriage and marital fertility have led to more children living with only one parent, generally their mother. Divorce rates rose dramatically in the 1960s and 1970s and have remained high. At the same time, more individuals are waiting to older ages to marry, or are not marrying at all, thus increasing the period during which women are at risk of a nonmarital birth. By the late 1990s, 26 percent of white children, 41 percent of Hispanic children, and 69 percent of black children were born to unmarried mothers.[4] Although this proportion has leveled off in recent years, more than one-fourth of children lived with only one parent in 2000 (in 1970 only12 percent did so), and 84 percent of these lived with their mother (see Figure 1). Because children living in single-mother families are more than five times as likely to be poor as children living with a married couple, these changes are closely tied to the need for economic support policies.

Figure 1 shows the proportion of children living in mother-only or father-only families. But this traditional distinction does not fully capture the increasing complexity of family forms. A growing proportion of the children in husband-wife families are living with a parent and a stepparent.[5] In addition, cohabitation has increased substantially in the last 25 years.[6] Recent estimates show that about 40 percent of nonmarital births are births to cohabiting parents, up from 29 percent ten years earlier. Moreover, most children born to single, noncohabiting mothers will live with their mother and a cohabitor before age 16.[7] Many will also live with grandparents or other relatives. Clearly, the traditional simple distinctions shown in Figure 1 miss a substantial (and increasing) amount of complexity in children's lives.

These changes in family structure have coincided with substantial growth in the labor force participation and earnings of mothers—especially mothers of young children. Between 1972 and 1999 the percentage of mothers of children under age six who worked for pay at some point in the year grew from 43 to 69 percent for married women, and from 56 to 74 percent for single women. These changes in employment mitigated the impoverishing effects of family structure changes and may also have set the stage for welfare reform efforts that required mothers to work for pay.

How has policy responded?

For decades, some critics blamed the welfare system for changes in family organization, and suggested that policy can and should be designed to positively influence marriage and family formation decisions. Charles Murray and others argued that because the basic cash assistance program, Aid to Families with Dependent Children (AFDC), was available only to single-parent

Figure 1. Children's living arrangements, 1968–2000.

Source: U.S. Census Bureau, Historical Time Series, Table CH-1, "Living Arrangements of Children."

families, the welfare system encouraged separation, divorce, and nonmarital childbearing.[8] The suggestions were that some couples facing financial difficulty would split in order to get financial assistance, that some wives would be more likely to leave their husbands if there was a source of income available to them, and that some women would have a child and/or not marry because income was available only when they were single.

Even though the empirical evidence suggests that welfare policy has had at most a modest effect on nonmarital fertility, PRWORA responded to the widespread criticisms of the existing welfare system with provisions designed to encourage marriage and discourage nonmarital childbearing.[9] It required states to design plans that would meet these priorities, provided extra funding for the five states that do the most toward reducing nonmarital births (without increasing abortion rates), and provided funds for abstinence education.

Another response to the increase in the number of children who spend at least some time living with only one parent has been child support policy reforms. Over the past 30 years a variety of policy changes have been aimed at increasing the probability that children living with one parent will receive financial support from the nonresident parent as well. States have been required to adopt numerical formulae to be used in setting the amount of child support orders, to provide for the automatic withholding of child support payments from the wages of nonresident parents, and to participate in registries of newly hired employees and other programs designed to improve child support enforcement. Because of the increase in nonmarital births, paternity establishment, a necessary first step in issuing a child support order, has also received substantial attention.

Many of these efforts in child support and paternity are, of course, relevant for families outside the welfare system, but special attention has been focused on families receiving public assistance. Some policymakers have been particularly concerned that the public was providing economic support in the place of an "absent" father who was presumed to be shirking his duty. Thus, much of the early impetus for child support reforms grew out of the desire to require fathers to provide for their economically vulnerable children. This history helps explain the government's policy of retaining child support paid on behalf of resident-parent families who received cash assistance from the state. In most states, these dollars were used in part to pay for the administrative expenses of the child support system and in part to offset the costs of cash assistance.

By 1984, states were required by national policy to pass through to the family the first $50 per month of child support paid on behalf of mothers receiving welfare, and they could not consider this amount as income in calculating benefits—they were, in other words, to disregard it. This policy, which was designed to improve the incentives for parents to cooperate with the child support enforcement system, remained in place until PRWORA was passed. Under that law, states were given flexibility to reduce or eliminate the amount of child support to be

passed through to the resident parent and to determine the amount to be disregarded as income.

Changes in work requirements for mothers receiving cash assistance can also be seen as reflecting new patterns of family organization. Cash welfare was originally designed to provide a substitute for the economic support of an absent father; most mothers were not expected to work outside the home. Recent reforms, however, have increasingly been aimed at moving mothers from welfare to work. These changes are consistent with the view that it is not necessary for mothers, even those with young children, to remain outside the paid labor force. The Family Support Act (FSA) of 1988 included provisions for training, work supports such as extended child care and health insurance subsidies, and participation requirements. However, PRWORA work requirements are more stringent than those of the FSA. The required participation rates are higher, fewer activities qualify, and fewer categories of participants are exempt.

The increased labor force participation of mothers has prompted greater attention to the cost, availability, and quality of child care. The federal income tax code has included a tax credit to reimburse a portion of expenditures on child care since 1954. Because this credit is not refundable, it has provided no assistance to low-income working families (those whose incomes are so low that they do not pay income taxes). There were also several small programs that provided child care assistance to low-income families, each with its own eligibility limits, and all with fixed funding, leading to a confusing array of programs that were not funded sufficiently to meet the need. PRWORA merged several of these smaller programs into a single Child Care and Development Block Grant in the hope that states would simplify the child care subsidy system (although still not guaranteeing full funding). Some states, like Wisconsin, took this next step, and guaranteed child care subsidies to any low-income family using approved care.

Finally, there have been several changes within the tax system in response to the increased emphasis on work. The Earned Income Tax Credit (EITC), a program for low-income working parents, has been increased dramatically in the last 15 years. The tax system has also seen changes targeted at different family types. The income tax system has different tax schedules for married couples, for heads of households (primarily single-parent families), and for single individuals. There have been substantial concerns about "marriage penalties" within the tax system. Marriage penalties arise in many cases because the income tax system is designed to be progressive (those with higher incomes owe a higher percentage of their incomes). This means that many pairs of unmarried individuals who both have income would face higher taxes if they were to marry. Moreover, because the EITC declines with additional earnings above a certain level, many pairs of unmarried individuals who are both working would get less in EITC as a married couple. Changes in the tax law in 2001 have increased the amount of EITC available to married couples, but other parts of these "marriage penalties" remain.

Looking to the future

Although it is early to assess the implications, recent analysis suggests changes in some of the trends contributing to declines in traditional family forms. The long-term decline in the proportion of children living in husband-wife families has stopped, and may even have turned around, especially for children of color and children in low-income families. For example, the proportion of black non-Hispanic children living with married parents declined from 40.5 percent in 1985 to 34.8 percent in 1995, but then increased to 38.9 percent in 2000.[10] Over the same period, cohabitation rates have continued to increase, contributing to the growth in the proportion of children living with two adults. The most recent data also show a small decrease in labor force participation among mothers with children born in the last year.[11]

Whether recent shifts will persist, and the extent to which they may be due to changes in the economy, policy, or norms, remain open questions. Regardless, policy initiatives that aim to support poor families need to be reevaluated to ensure that they take into account the complexity and instability of family forms in the United States today.

Many children today are born to what can be considered "fragile families," which, for a variety of reasons, may be particularly susceptible to dissolution. Early results from an ongoing study of these fragile families, with mostly young parents, suggest that the parents are often unmarried yet are committed to their child and to each other at the time of the birth; about half live together, and four out of five are romantically involved. Yet in many cases in which the parents are living together, especially those in which the mother is receiving cash assistance, one parent (typically the father) is required to pay child support to the other (or to the state).[12] Thus current child support enforcement policy may have unintended negative consequences that increase the stress on already vulnerable families and may be counterproductive in the long run.

Child support policy is struggling to respond to complex family forms not only with regard to who pays but also with regard to the guidelines that establish how much is paid, and to whom. Some state child support guidelines have different provisions for nonresident parents who have had children with multiple partners, parents whose children live with them a significant amount (but not the greater part) of the time, and parents who have one child living with them and another child living with their ex-partner. In other states, the existence and the amount of a child support order in such situations are left to the discretion of the court. As complex family forms become

more common, states may want to consider firming their policies on appropriate order amounts, rather than leaving them to the potential inequities involved in a highly discretionary system. Moreover, federal efforts to monitor and evaluate alternative state policies for child support in complex family forms will be important.

Despite the challenges of complex and dynamic family structure, establishing paternity and requiring nonresident parents to support their children financially are increasingly important goals in a context in which welfare is time-limited and work is required of most single parents. Although some nonresident parents are unable to pay significant support, estimates suggest that much more can be achieved, and that when child support is paid, it often makes an important contribution to family income.[13]

One strategy that deserves serious consideration in the reauthorization process is an increase in the amount of child support that states disregard in determining benefit levels. After PRWORA granted states greater flexibility in setting pass-through and disregard policies, Wisconsin, alone among the states, determined that all current child support paid on behalf of welfare recipients should be passed on to the family and should be disregarded in calculating their cash welfare benefits. An experimental evaluation of this policy suggests that it increases child support received by low-income families, and the total support collected, without substantially increasing government costs (see text box on p. 91). The results also suggest that families new to the welfare and child support system were particularly responsive to the change, and that governments' short-term savings from retaining child support may be small relative to the loss of later support to families that face time-limited public assistance. This points to the need to consider a shift in the goals of the child support enforcement system from reducing welfare costs to enhancing the economic self-sufficiency of single-parent families.

Another strategy may be to focus on increasing the job skills of nonresident fathers. Many nonresident fathers have low education and inconsistent employment histories that suggest they will face challenges in supporting their children financially. Much child support policy has assumed that the only problem with nonpayment was related to an *unwillingness* to pay support, and its response has been to make the penalties for nonpayment more and more stringent. Recent research suggests that part of the problem may be an *inability* to pay support, rather than an unwillingness.[14]

Although child support can be an important element in the postwelfare income package, earnings are clearly the key. Yet it is now clear that many welfare participants face substantial barriers to employment.[15] Most also have young children—32 percent of TANF participants have a child under 3, and 54 percent have a child under 6.[16] Employment rates for mothers of young children have risen dramatically, but full-time, full-year employment is still not the norm, and mothers without many job skills will face major obstacles in providing adequately for their families. Subsidized child care will be a key support, as will be subsidized health insurance.[17]

In this article we have focused on the need to evaluate policy options recognizing the reality of changing family structure. As we noted earlier, some analysts and policymakers have argued for designing policies to *change* family structure, for example, to promote two-parent families and reduce nonmarital births. In some cases, programs previously restricted to single parents have been expanded to two-parent families, to reduce or eliminate the disincentive to marriage. Given the economic vulnerability of single-parent families and evidence of the advantages of two-parent families even if we take income into account, it makes sense to expand benefit eligibility to two-parent families.[18]

Yet single-parent households are particularly vulnerable to poverty and other disadvantages, and meeting the needs of children in these families will, almost by definition, reduce the economic disincentive to divorce or nonmarital childbearing. David Ellwood termed this dilemma the "Assistance – Family Structure conundrum."[19] Even such widely supported policies as child support enforcement have been criticized as facilitating alternatives to marriage—though child support involves parental, rather than public, support of children, and increased child support has both incentive and disincentive effects.[20] When a conflict exists, should the primary goal of policy be to reduce economic vulnerability, or to change incentives so as to discourage the formation of single-parent families? The empirical evidence suggests that family formation patterns are not easily shaped by policy.[21] Even if changes in family organization may be slowing, the fundamental reorganization of the past 40 years will not be undone. Thus, we believe future policy must continue to respond to the changes in family organization, providing the supports necessary for all parents and an adequate safety net for those families in need. ■

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[1]The authors thank Wendell Primus for helpful comments on an earlier draft.

[2]This section draws from M. Cancian and D. Reed, "Changes in Family Structure: Implications for Poverty and Related Policy," in *Understanding Poverty*, ed. S. Danziger and R. Haveman (New York: Harvard University Press and Russell Sage Foundation, 2002), unless otherwise cited.

[3]U.S. Department of Labor, "Employment Characteristics of Families in 2000," USDOL News Release 01-103, April 19, 2001, Bureau of Labor Statistics, Washington, DC.

[4]Note that nonmarital birthrates have increased for whites, but have fallen for blacks; National Center for Health Statistics, National Vital Statistics Reports 48, no. 3 and 47, no. 18, on the World Wide Web at < http://www.cdc.gov/nchs >; see discussion in Cancian and Reed, "Changes in Family Structure."

The Child Support Demonstration Evaluation

Wisconsin's TANF program, Wisconsin Works (W-2), combines relatively stringent work requirements with a uniquely generous approach to child support: for most participating mothers, any child support paid on behalf of their children is passed through to them and is disregarded in calculating their W-2 cash payments. To evaluate the impact of this policy, it was implemented as a random-assignment experiment. Most W-2 participants received all child support paid, but a randomly selected control group received a reduced amount. Because assignment to the experimental (full pass-through) and control (partial pass-through) groups was random, any differences in outcomes between the two groups can be attributed to the difference in the treatment of child support.

The Child Support Demonstration Evaluation (CSDE) was designed to evaluate a variety of effects of this new approach to child support, beginning with the direct effects on child support paid and received. The study also measures potential secondary effects—on mothers' and fathers' employment and earnings, on parents' interactions, and on the well-being of their children. These effects were evaluated using state administrative records and a survey of W-2 families, covering outcomes in 1998 and 1999.

The experimental evaluation showed that the full pass-through had significant effects. In 1998, mothers eligible for it received about $150 dollars more in child support than did those in the control group. Differences in the amounts of child support received by mothers are due in large part to the mechanical effect of the full pass-through. However, there were also significant increases in the percentage of nonresident fathers paying child support. In the full sample, 52 percent of fathers of children in the experimental group and 50 percent of fathers of children in the control group paid child support in 1998. Among those more likely to be new to the child support and welfare systems, however, the differences were more substantial: in cases where the mother had not received AFDC in the two years before she entered W-2, 58 percent of fathers with children in the experimental group paid child support in 1998, compared to 48 percent of fathers with children in the control group. These differences remained significant and in many cases increased in 1999. Finally, there were also significantly higher rates of paternity establishment for those in the experimental group in 1998, though not in 1999.

The experimental analyses showed substantial, though less consistent, evidence of secondary effects. As hypothesized, an increase in child support received reduced the need for cash payments in 1998; there were significant and larger differences between experimental and control families among those mothers who initially received a W-2 cash payment and among mothers with a history of higher child support amounts.

There were significant differences in some of the components of government costs, but no difference in total measured government costs. In particular, although more child support was passed through to those in the experimental group, not all of this was at the expense of the government, since some consisted of additional support that would not have been paid in the absence of the full pass-through. More important, the reform also generated savings in other areas, especially W-2 cash payments.

The full results of the CSDE Phase 1 experimental evaluation are reported in D. Meyer and M. Cancian, with additional authors, *The Child Support Demonstration Evaluation: Summary of Experimental Impacts*, Institute for Research on Poverty, University of Wisconsin–Madison, 2001. Reports from the project can be found on the IRP World Wide Web site at http://www.ssc.wisc.edu/irp/csde/phase1-tocs.htm. Complementary nonexperimental evaluations of child support disregard policy will be released in Spring, 2002.

[5]L. Bumpass, R. Raley, and J. Sweet, "The Changing Character of Stepfamilies: Implications of Cohabitation and Nonmarital Childbearing," *Demography* 32 (1995): 425–36.

[6]Although there is some uncertainty over the precise increase because of limitations in the data, all estimates show substantial increases; see L. Casper, P. Cohen, and T. Simmons, "How Does POSSLQ Measure Up? Historical Estimates of Cohabitation," U.S. Census Bureau Population Division Working Paper 36, U.S. Bureau of the Census, Washington, DC, 1999.

[7]L. Bumpass and H.-H. Lu, "Trends in Cohabitation and Implications for Children's Family Contexts in the United States," *Population Studies*, 54 (2000): 29–41.

[8]For an example of the critical view of the previous welfare system, see C. Murray, *Losing Ground: American Social Policy, 1950–1980* (New York: Basic Books, 1984). Some two-parent families have been eligible for benefits in some states if the child was "deprived of parental support" because a parent was unemployed (AFDC-UP) or disabled. But the AFDC-UP program always had very strict eligibility criteria and was quite small, both in dollars expended and in the number of families receiving benefits. AFDC-UP was available in only about half the states until 1988, when the Family Support Act required all states to have a program; even then, however, states were not required to make it available year-round.

[9]R. Moffitt, "The Effect of Welfare on Marriage and Fertility," in *Welfare, the Family, and Reproductive Behavior*, ed. R. Moffitt (Washington, DC: National Academy Press, 1998), pp. 50–97; R. Moffitt and M. Ver Ploeg, eds., *Evaluating Welfare Reform in an Era of Transition* (Washington, DC: National Academy Press, 2001).

[10]These figures are based on the Current Population Survey. See the article in this *Focus* by Fremstad and Primus.

[11]U.S. Bureau of the Census, Population, Historical Tables, Table H5, available on the Census Web site at < http://www.census.gov/population/socdemo/fertility/tabH5.pdf >.

[12]See the article in this *Focus* by Garfinkel and McLanahan; also D. Meyer, L. Bumpass, L. Wimer, and D. Pate, *Cohabitation and Child Support*, Final Report to the Wisconsin Department of Workforce Development, Institute for Research on Poverty, University of Wisconsin–Madison, 1997.

[13]E. Sorensen and C. Zibman, "To What Extent Do Children Benefit from Child Support?" Assessing the New Federalism Discussion Paper 99-11, Urban Institute, Washington, DC, 2000; D. Meyer and M. Cancian, with additional authors, *The Child Support Demonstration Evaluation: Summary of Experimental Impacts*, Institute for Research on Poverty, University of Wisconsin–Madison, 2001.

[14]J. Bartfeld and D. Meyer, "Child Support among W-2 Participants," in *W-2 Child Support Demonstration Evaluation, Phase I: Final Report*, Volume II: *The Well-Being of W-2 Families*, ed. D. Meyer and M. Cancian, Report to the Wisconsin Department of Workforce Development, April 2001; D. Meyer and M. Cancian, "Can the Nonresident Fathers of Children Receiving TANF Provide More Child Support?" unpublished report, Institute for Research on Poverty, University of Wisconsin–Madison, 2001; Sorensen and Zibman, "To What Extent Do Children Benefit from Child Support."

[15]See the article by Danziger and Seefeldt in this *Focus*.

[16]U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation, *Characteristics and Financial Circumstances of TANF Recipients: Fiscal Year 1999*. Available on the Department's Web site at < http://www.acf.dhhs.gov/programs/opre/characteristics/fy99/analysis.htm >.

[17]M. Cancian, "The Rhetoric and Reality of Work Based Welfare Reform," *Social Work* 46, no. 4 (2001): 309–14. See also the article by Wolfe and Vandell in this *Focus*.

[18]S. McLanahan and G. Sandefur, *Growing Up with a Single Parent: What Hurts, What Helps* (Cambridge, MA: Harvard University Press, 1994).

[19]D. Ellwood, *Poor Support: Poverty in the American Family* (New York: Basic Books, 1988).

[20]A policy regime in which child support is high and strictly enforced should increase the incentives to leave for those who expect to receive physical custody of the children and decrease them for those who do not expect to receive custody. Research on this topic includes L. Nixon, "The Effect of Child Support Enforcement on Marital Dissolution," *Journal of Human Resources* 32 (1997):159–81, and D.E Bloom, C. Conrad, and C. Miller, "Child Support and Father's Remarriage and Fertility," in *Fathers Under Fire: The Revolution in Child Support Enforcement*, ed. I. Garfinkel, S. McLanahan, D. Meyer, and J. Seltzer (New York: Russell Sage Foundation, 1998).

[21]It is early to judge the impact of PRWORA, but current empirical evidence suggests that this round of welfare reform also will have only a modest impact on family structure; see H. Peters, R. Plotnick, and S.-O. Jeong, "How Will Welfare Reform Affect Childbearing and Family Structure Decisions?" IRP Discussion Paper 1239-01, University of Wisconsin–Madison, 2001.

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Unwed parents: Myths, realities, and policymaking

Irwin Garfinkel and Sara McLanahan

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In the United States today, nearly one-third of all births occur outside marriage.[1] Such children are much more likely to be poor and much less likely to get either time or money from their fathers than are children born within marriage. Because poverty and father absence have negative effects on children's prospects in life, communities cannot be indifferent to the growing numbers of children living in poor single-parent families.[2] Remedies, however, are not so easily determined.

The primary response of policymakers to growing public concern about the rise of nonmarital births has been to pass laws that make it more difficult for unmarried fathers to abandon their children and for unmarried mothers to raise their children alone. Since the 1980s, the federal government has steadily expanded and strengthened the legal and administrative machinery to establish legal paternity and enforce payment of child support. Most recently, the 1996 welfare laws explicitly aimed to reinforce marital and parental responsibilities at the same time as they radically overhauled the structure of cash assistance.

Underlying this new legal and regulatory environment is the widely held assumption that children would be better off if their parents lived together and were more involved in their lives. Yet the media have often presented negative stereotypes of unmarried families, sometimes depicting children of such parents as the products of casual sexual liaisons. In fact, we know very little about the characteristics and capabilities of men who father children outside of marriage, and even less about their relationships with the mothers of their children, and there are conflicting views of these relationships.

To what extent are these relationships exploitive or hostile, fueled by the disparate needs of young men and women? Do a substantial number of unmarried fathers have mental health problems or abuse drugs or alcohol, and are they likely physically to abuse their children and the children's mothers? Do mothers often refuse to marry or live with the fathers of their children because the fathers are unreliable breadwinners or because they have serious drug and alcohol problems? Do men disengage from children whom they are unable to support as a way of minimizing their own sense of failure? Or do young couples start out with high hopes for maintaining a stable relationship, only to find that they cannot meet their own or their partner's expectations?[3]

Getting the facts straight about unmarried parents' relationships is critical for understanding the potential impact of the child support and welfare laws on effective programs and policies. Policies will be more effective if they are tailored to actual rather than presumed parental relationships; whether well or poorly designed, they also have the potential to influence those relationships. If parents are truly indifferent to one another, it makes sense to design programs that treat them as separate individuals. If parents are involved in a close relationship of some kind, it may be preferable to treat them as a family unit, capitalizing on their existing commitment to strengthen the relationship and improve the likelihood that it will endure. If substantial numbers of unmarried fathers have mental health or substance abuse problems or are prone to violence, then programs need to be designed very differently from programs that aim to redress educational or employment deficits.

The Fragile Families Study

In an effort to learn more about unmarried parents and their children in the United States, we are following a group of nearly 5,000 children, identified in hospitals at the time of their birth, in 20 cities across the United States. Our families are representative of all nonmarital births in the United States in cities with populations over 200,000.[4] We plan to follow the children and their parents for four years. Telephone interviews will be conducted with both mothers and fathers when children are 12, 30, and 48 months old, to ask about children's health and development, as well as parents' own health and economic well-being, parenting styles, child care arrangements, and access to and use of community resources. In addition, in-home assessments of children's health and well-being will be conducted when the children are 30 and 48 months old.

By tracking children through infancy and early childhood, we can distinguish differences that are present soon after birth from those that evolve over time. We will gain new information about unmarried fathers and their attitudes and actions toward their children. And we can hope to gain greater understanding of the effects of very different policy environments and labor market conditions, now that many reforms are being designed and implemented locally.

We use the term "fragile families" for these unmarried parents and their children to underscore the fact that they are families, and that they have a higher risk of poverty and family dissolution than traditional families. We seek to answer a set of related questions:

- What are the conditions and capabilities of new unmarried parents, especially fathers? How many hold steady jobs? How many want to be involved in raising their children?
- What is the nature of parents' relationships, and how stable are they? What factors strengthen—or weaken—the relationship between new unmarried parents?
- How do public policies affect the behaviors and living arrangements of these families? In particular, what are the long-term consequences of new welfare regulations, stronger paternity establishment and stricter child support enforcement, and changes in health care and child care financing and delivery?
- How do the capabilities and relationships of the parents and public policies affect child development and well-being?

Here is what we have learned from our initial analysis.

Parents' characteristics and capabilities

The typical unmarried mother is in her early twenties. Only 11 percent of mothers in our sample were under 18, and 17 percent were 30 or older.[5] More than half have other children. Almost one-third are Hispanic, 51 percent are non-Hispanic black, and 17 percent are non-Hispanic white or some other ethnicity. Fewer than 20 percent are immigrants, and 88 percent claim some religious affiliation. (But only 18 percent of mothers and 14 percent of fathers said they attended religious services at least once a week.)

Fathers' demographic characteristics (as reported by the mothers) rather closely match those of their partners. On average, fathers are about three years older. Despite much recent public concern about teenage mothers being involved with older men, we found that the proportion is quite small; only 10 percent had partners eight or more years older. Approximately 30 percent of unmarried fathers in our sample have been incarcerated—a circumstance that bodes poorly for their future capacity to support a family.[6]

Lack of education is a serious problem for both mothers and fathers: over a third lack even a high school diploma. Only 31 percent of mothers and 26 percent of fathers in our study have any education beyond high school. For a small but not insignificant proportion of these parents (3 percent of mothers and 5 percent of fathers), drug or alcohol problems interfered with work or personal relationships in the last year. These figures are probably too low, since parents may be reluctant to admit to themselves or to report that they have a problem. In two cities where we examined mothers' medical records, the data indicate that the percentage of mothers who have problems with drugs and/or alcohol is about twice the reported rate, which is still pretty low. Substance abuse problems are likely to affect parents' ability to support their families and to parent their children.

Relationships within fragile families

Our primary finding is clear: The great majority of unwed parents are committed to each other and to their children at the time of the birth.

One of the most striking findings is the high rate of cohabitation among this group of new unmarried parents. Half of all mothers were living with the father of their child when the child was born; another 33 percent were romantically involved, though not cohabiting. Nine percent were "just friends," and only 8 percent had little or no contact with the father. Only 1 percent reported the father as unknown.

At birth, the majority of unmarried parents had high hopes for the future of their relationship. Nearly three-quarters of the mothers said that the chances they would marry the baby's father were "fifty-fifty" or better. The overwhelming majority of mothers wanted the father to be involved in raising the child.

Questions about fathers' roles—how and to what extent fathers are and should be involved in their children's lives—are currently at the core of intense policy debates. The Fragile Families Study seeks a greater understanding of new parents' perceptions of what it means to be a father.

We investigated several aspects of fathers' involvement; what we found strongly indicates that unmarried fathers are by no means indifferent to their children. In the first place, about 83 percent of mothers (and 91 percent of fathers) said that the father contributed financially during the pregnancy, and similar percentages reported that he contributed in other ways (for example, by providing transportation). Eighty-four percent of mothers and 93 percent of fathers said that the father's name would be on the child's birth certificate, and almost as many said that the child would take the father's surname.

A common core of beliefs about marriage and childbearing is important to the successful negotiation of parental relationships. The majority of both mothers and fathers believed marriage to be beneficial for children and agreed about the qualities that contribute to a successful marriage. Unmarried parents reported that two crucial elements for a successful marriage are that the father has

Table 1
Durability of Parents' Relationships

	12–18 Months after Birth (% in each category)				
			Not Cohabiting		
At Birth	Married	Cohabiting	Romantic	Friends	No Contact
Married	96	0	0	0	0
Cohabiting	12	62	8	10	7
Not Cohabiting					
Romantic	4	15	34	25	21
Friends	0	5	5	62	27
No contact	1	4	5	17	73

Notes: Results are based on an interim data file from 12-month interviews in 20 cities. Table does not include respondents who indicated the father was deceased. A comparison group of married parents is being followed in each city. Percentages in the first three rows do not sum to 100 percent since some mothers have divorced or legally separated since baseline; in the fourth row the discrepancy is due to rounding.

a steady job (reported by approximately 90 percent of both parents) and that both parents are emotionally mature (reported by 85 percent of both parents). For 18 percent of mothers and 19 percent of fathers, "spending time together" was a major bone of contention in the relationship, closely followed by "money."

When asked to define a "good father," both men and women gave highest priority to "showing love and affection" (rated most important by 65 percent of mothers and 49 percent of fathers). "Providing financial support" came next, though it was rated as "most important" by far fewer parents than the quality of "showing love and affection" (12 percent of both men and women rated this quality "most important"). "Teaching the child about life" and "providing direct care" were rather differently rated by women and men (9 versus 19 percent and 5 versus 12 percent, respectively). "Serving as an authority figure" was considered unimportant by both parents.

The Fragile Families data suggest that violence is rare among new unwed parents. Only 5 percent of mothers reported being hit or slapped by the fathers during the past year. As was the case for substance abuse, mothers are likely to underreport the incidence of violence, especially if they are still romantically involved with the fathers. Indeed, 12 percent of mothers who were no longer in contact with the fathers reported incidences of violent behavior. In addition, about 30 percent of all mothers reported some emotional abuse, which may be a precursor to physical abuse.[7]

Despite high hopes and good intentions, early findings indicate that only about 17 percent of the new parents had married by the time the child was 12–18 months old (Table 1). Nonetheless, nearly three-quarters of the parents living together at the birth were still together, married or cohabiting, over a year later.

Parents' access to public and private resources

Again, our main finding is clear: Most unmarried parents are poorly equipped to support themselves and their children.

Average earnings are very low in this group (see Table 2), and poverty is widespread (Figure 1). Virtually all the fathers had worked at some time during the past year, but employment patterns were clearly unstable: nearly three out of ten were unemployed in the week before the interview, at a time when the economy was booming and the national unemployment rate was dropping from 4.5 to 4 percent. Among the mothers, 16 percent had not worked at all in the year before their babies were born. Among those who did work and reported earnings, nearly half earned less than $10,000 a year.

Average household income is substantially higher than earnings (Table 2); nearly half of the mothers and 61 percent of fathers reported incomes of over $20,000 a year. The difference between mothers' earnings and their incomes reflects the fact that over half of new unmarried mothers were cohabiting or living with another adult.

Government support is important to a substantial minority of unmarried mothers. During the year before their babies were born, 39 percent received welfare, food stamps, or public assistance, 23 percent received some type of housing subsidy, and 8 percent received other government transfers (unemployment insurance, worker's compensation, disability, or social security). The proportion receiving government assistance was even higher for women who had another child—51 percent of them had received welfare or food stamps. For 71 percent of the children, health insurance came through Medicaid; another 22 percent had private insurance.

Table 2
Parents' Access to Resources

Resource	Mothers	Fathers
Total Earnings in Past 12 Months (% of those reporting any earnings)		
Under $5,000	40	19
$5,000–$9,999	8	13
$10,000–$19,999	26	33
$20,000 and over	16	35
Total Household Income in Past 12 Months (% of those reporting any income)		
Under $5,000	18	8
$5,000–$19,999	36	31
$20,000–$49,999	35	43
$50,000 and over	11	18
Kin Resources (% receiving during mother's pregnancy)		
Financial assistance	52	24
A place to live	42	26
Child care assistance	24	—
Consider family a source of potential help	95	92
N	2,670	2,047

Note: 15 percent of mothers reported earnings but not the amount; 27 percent of mothers and 25 percent of fathers did not report total household income, mostly stating that they "did not know."

We found that, in general, many of the parents were quite uninformed about new welfare rules and regulations regarding work requirements and time limits for assistance. Approximately 60 percent of mothers and 70 percent of fathers did not know how long a woman is eligible for assistance or whether there were work requirements. Parents were, in contrast, much better informed about the procedures for establishing paternity.

How are the children doing?

At this stage in the study, we can offer a few baseline findings on the children's health and well-being. Our general conclusion: Most unmarried mothers are healthy and bear healthy children.

Two-thirds of mothers reported themselves to be in good or excellent health. But 21 percent of them reported smoking during their pregnancy, over 20 percent had no prenatal care in the first trimester, and 11 percent had babies born below normal weight (the national average is 7.6 percent, but that figure includes marital and nonmarital births). Low birthweight is an important indicator of children's current and future health status.

Mothers covered by Medicaid were less likely to receive prenatal care during the first trimester than mothers with private health insurance, but by the end of the second trimester of pregnancy, fully 96 percent of unmarried mothers had received prenatal care.

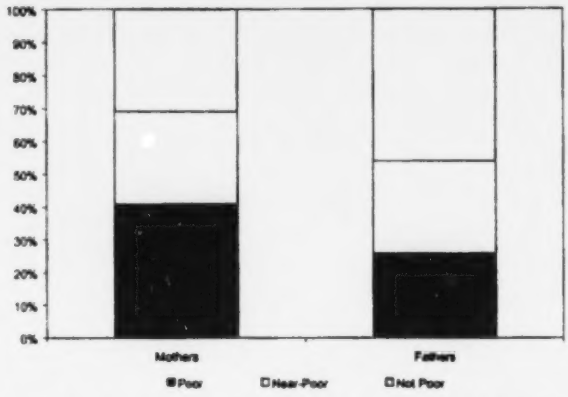

Figure 1. Poverty among unwed parents in the Fragile Families Study.

Source: *National Report* of the Fragile Families and Child Wellbeing Study, August 2001, Figure 3.

As a way of measuring the resources that will be available to the child in the near future, we asked the unmarried mothers with whom the baby was going to live. Going home meant very different things for different babies: 47 percent are expected to live with both parents, 31 percent with the mother alone, and 22 percent with the mother and another adult.

Policy implications

Early findings from the Fragile Families Study have important implications for public policy. Because these new parents are unmarried, they are automatically affected by child support policies. Because a large proportion of these couples have low earnings capacity, welfare policy is also likely to play a major role in shaping their future as a family.

Our findings underscore the precarious socioeconomic circumstances of many unmarried parents, but they also hold out hope. At birth, we find, the overwhelming majority of parents still have a level of commitment and optimism that makes for high motivation. The "magic moment" of birth is a good time to offer services to unwed parents. Services that attempt to strengthen these couples' relationships, including those that promote marriage, are consistent with the expressed values and hopes of the parents. Services that treat the mother and father as a couple, and that begin at birth in the hospital, may be particularly effective, especially where fathers are concerned.[8] Explaining the value of marriage and providing help to parents in negotiating relationships may help to promote marriage and cohabitation among fragile families, but large gains are unlikely to be achieved without an increase in the capabilities of parents to support a family and a reduction in marriage and cohabitation penalties in our tax and transfer policies. In the reauthoriza-

tion of the Personal Responsibility and Work Opportunity Reconciliation Act, categorical discrimination against two-parent families should be forbidden, the portion of the father's income counted in determining eligibility and benefits should be reduced below 100 percent, and employment and training services should be made available to fathers as well as mothers.

But no matter how successful such promarriage policies are, a substantial proportion of unmarried parents will live apart, and welfare and child support policies that address the needs of those parents need to be carefully tailored so that they increase, rather than discourage, fathers' involvement with their children and increase rather than decrease the resources of single mothers. To these ends, child support policies need to be modified to eliminate onerous and unenforceable child support obligations on low-income fathers and to encourage very poor fathers to pay what they can by matching their payments with federal funds, much as the EITC supplements earnings. ■

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[1]The proportions are higher among minority populations, reaching 40 percent among Hispanics and 70 percent among African Americans. In this respect, the United States is not unique—European countries have also seen a steep rise in nonmarital births—but there are some crucial differences. European parents of nonmarital children are mostly cohabiting, and the children are much less likely to be poor than are U.S. children born outside marriage.

[2]S. McLanahan and G. Sandefur, *Growing Up with a Single Parent: What Hurts, What Helps* (Cambridge, MA: Harvard University Press, 1994); G. Duncan and J. Brooks-Gunn, eds., *Consequences of Growing Up Poor* (New York: Russell Sage Foundation, 1997).

[3]Examples of these and other arguments can be found in E. Anderson, "Sex Codes and Family Life among Poor Inner-City Youths," *Annals of the American Academy of Political and Social Science* 501 (1989): 59–78; K. Edin and L. Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation,1997); E. Liebow, *Tally's Corner: A Study of Negro Streetcorner Men* (Boston: Little, Brown & Co.,1967).

[4]The data in this article are drawn from the *National Report* of the Fragile Families and Child Wellbeing Study, August 2001. It is available on the Web site of the study at < http://crcw.princeton.edu >. We were able to interview only 75 percent of unmarried fathers. Compared to the average unmarried father, the men in our sample are more strongly attached to the mothers of their children than the men we were unable to interview, and are likely to differ in other ways as well. Anticipating this problem, we asked all mothers some questions about children's fathers so that we would be able to compare fathers who participated in the study with those who did not.

[5]Because of restrictions in many of the hospitals, we were not able to interview all mothers who were under age 18 and were otherwise eligible, without permission from the baby's maternal grandparents. Young teen parents are included in the survey when hospitals requested that they be interviewed.

[6]Data on incarceration history are collected during the 12-month interviews, presently being conducted. Results are based on interim data from the ongoing data collection in 20 cities.

[7]Results on indicators of emotional abuse are obtained during the 12-month interviews, presently being conducted. Results are based on interim data from the ongoing data collection in 20 cities.

[8]The Parents' Fair Share Program, a demonstration program that was designed to improve the human capital, earnings, and involvement with children of unemployed noncustodial fathers of children on welfare, had limited success, but the assistance came long after the romantic relationship with the mother had ended. See, for example, F. Doolittle, V. Knox, C. Miller, and S. Rowser, *Building Opportunities, Enforcing Obligations: Implementation and Interim Impacts of Parents' Fair Share*, Manpower Demonstration Research Corporation, New York, 1998.

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Assessing the influence of welfare reform on child welfare systems

Kristen Shook Slack

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The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) raised two questions in particular for child welfare policymakers and practitioners: Would the policy elements included in PRWORA affect the well-being of low-income children and families? Would such effects, in turn, alter the demands upon the services of child welfare systems? Despite a flurry of recent research on the effects of welfare reform on child and family outcomes, clear answers to these questions have yet to emerge. In this article, I summarize the issues that arise when we try to assess the impact of welfare reform on child maltreatment, highlight some key research findings, and suggest several issues that we need to consider in the debate over reauthorizing PRWORA.

How PRWORA may affect child welfare systems

Why should child welfare systems be affected by welfare reform policies?

The answer is that a link between the service populations of the public assistance and child welfare systems has been well documented. More than half of the children who enter substitute care are from families which have relied on welfare benefits in the recent past, and comparisons between families involved in the child welfare system and families that are not suggest that the former group has higher rates of welfare use.[1]

Poverty has been repeatedly linked to child welfare. The rates of reported as well as suspected child maltreatment are higher among families with incomes below the federal poverty line, and higher rates of child maltreatment, on average, are reported in communities with a greater proportion of families living below the poverty line.[2] Although the nature of these relationships has not always been clear, it nevertheless seems plausible that changes in one system serving clients with low incomes will have repercussions for other systems predominantly serving clients with low incomes.

Which PRWORA policies could influence child welfare systems?

Specific elements of PRWORA could significantly affect the dynamics of welfare and child welfare systems. First, several features may influence the level of monthly income available to families: time limits on the receipt of cash welfare benefits under the main cash welfare program, Temporary Assistance for Needy Families (TANF); increased reliance on sanctions (i.e., reductions and terminations in benefits stemming from failure to work or to meet other requirements in state TANF plans); state "family cap" policies that allow no increase in the TANF grant if more children are born; and lifetime bans on TANF receipt for persons convicted of certain drug-related felonies. Many families that experience reductions in cash welfare assistance will be able to find other sources of income to fill the gap. Those who meet family income needs through employment, help from friends and relatives, or other supplemental income sources may not witness serious consequences for the safety and well-being of their children. But for some families, reductions in cash benefits will impose economic hardships that could increase the risk of child maltreatment.

Second, employment is mandatory for most TANF recipients. As more caregivers enter the work force or engage in other "worklike" activities (e.g., community service or job training), levels of parental supervision and the nature of child care arrangements may change for many families. To the extent that such changes present a greater threat to children's safety, we may see an increase in allegations of "inadequate supervision" and neglect by parents, and of abuse involving nonparental caregivers. If changes under PRWORA actually enhance the quality of care and supervision available to children from low-income families, however, we may witness a decline in reports of child maltreatment.

Third, with the passage of PRWORA, the eligibility determination process for Medicaid was decoupled from that for cash welfare benefits. Although this policy change was not intended to reduce health insurance coverage among TANF-eligible families, there is some evidence that such a reduction has, in fact, occurred, even though many families remain eligible for Medicaid benefits.[3]

If children's health deteriorates to the threshold for medical neglect because health conditions are untreated or undertreated or because the children do not receive preventive care, family involvement with the child welfare system may rise. But if uninsured children have less

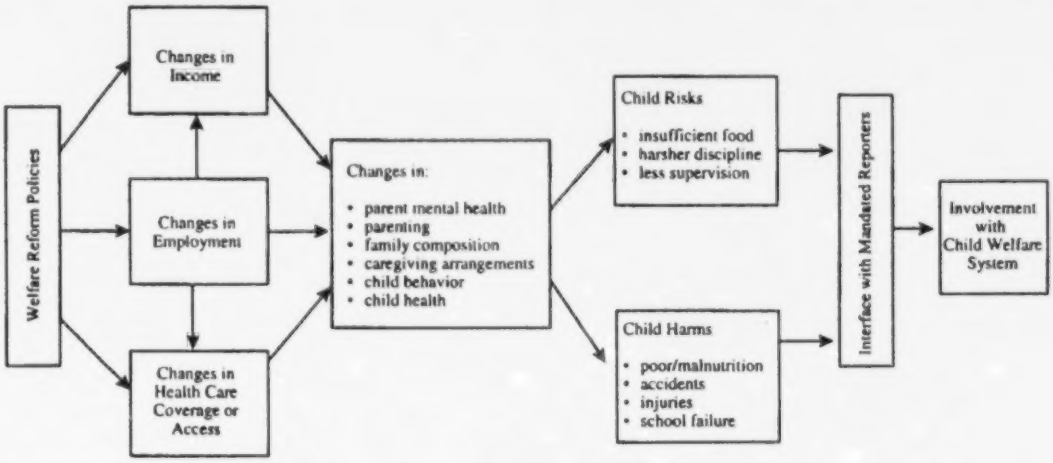

Figure 1. Potential links between welfare reform and child protection systems.

contact with medical professionals, medical neglect might be detected less often, even if its incidence has increased.

Figure 1 illustrates the roles of income, employment, and health care coverage in children's risk of involvement with the child welfare system. It is important to keep in mind that any effects of welfare reform on the demand for child welfare services do not necessarily reflect the trends in child maltreatment, because the components of welfare reform that may affect child well-being may simultaneously affect whether families will be reported to child welfare systems. As with health, declines in general well-being may be masked by declines in the *detection* of risks and harms to children. For this reason, the effects of welfare reform on child and family well-being must be assessed in conjunction with its effects on child welfare systems.

What could happen to the child welfare caseload?

Figure 2 shows the number of welfare recipients (caregivers and children) nationwide, and the number of child victims of substantiated maltreatment over the course of the 1990s. The disproportionate sizes of these two populations make it clear that even small increases in the involvement of welfare families with the child welfare system could lead to severe pressures on that system.[4]

Although the welfare caseload and the rate of child victimization began to shrink around the same time, just before the passage of PRWORA, this does not necessarily mean that fewer child maltreatment reports are a *result* of welfare reform, because a third factor, such as a strong economy, could be responsible for both declines. This particular effect is especially troublesome when we try to assess changes in the cash welfare and child welfare systems, since both are likely to be very sensitive to macroeconomic trends. Nor can we know for certain, from aggregated data, whether the relationship between declines in the welfare caseload and in child victimization rates also means that families that leave welfare are less likely to be reported to child welfare systems, particularly if welfare policies have any effect on the detection of maltreatment.

Difficulties in assessing the effects of PRWORA on child welfare systems

Before highlighting the recent research findings on this topic, it is useful to consider what is involved in studying the connection between welfare reform and child maltreatment and to examine the implications of the various study designs being used in this research.

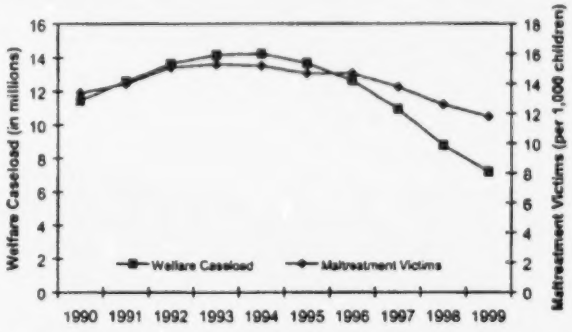

Figure 2. Trends in welfare caseload size and child maltreatment victimization, 1990–1999. Data are from Department of Health and Human Services, Administration for Children and Families, and the National Child Abuse and Neglect Data System.

What "outcomes" should we monitor?

A substantial amount of child maltreatment research relies on administrative records of abuse and neglect reports for "measures" of maltreatment. Because changes in the demands upon child welfare systems may not directly correspond with fluctuations in actual risks and harms to children, it is critical to develop and use measures of maltreatment that are not derived from administrative indicators if we are truly to understand the effects of welfare reform.

Very few measures of abuse and neglect have been incorporated into the large-scale surveys characteristic of many welfare reform research initiatives. This is not due to oversight or lack of interest, however. Such measures are simply in very short supply. The validated measures that do exist are designed to assess only physical abuse, are intended for samples already involved in the child welfare system, or require extensive training to administer because of the subjective nature of their coding schemes. In addition, there are ethical issues (e.g., whether to report families to child welfare systems when maltreatment is recognized by a survey interviewer), which place constraints on researchers interested in applying such measures in child abuse and neglect research.

The paucity of other measurement tools often leads researchers who wish to study maltreatment to rely on administrative data. Even these measures are not easily accessible to researchers, since many states either restrict access to these data, or do not have data management systems that make it easy to extract the data. When studies involve multiple states, these problems are compounded by state variation in child abuse and neglect reporting laws and differences in child welfare practice philosophies. Initiatives for developing measures of child maltreatment that can be used in larger prospective studies are underway. Some of these efforts are already embedded in current research on welfare reform and child welfare. One source of this work is the Federal Child Neglect Research Consortium, which is composed of research teams funded by the National Institutes of Health to study child neglect, a surprisingly understudied form of maltreatment although it is more prevalent than physical and sexual abuse.

To understand the phenomenon of child maltreatment, measures are required which assess multiple forms of maltreatment and a spectrum of outcomes ranging from mild risk to severe harm. Several coding schemes have been developed which conceptualize maltreatment in this way, such as the National Incidence Studies of child abuse and neglect,[5] and the Barnett, Manly, and Cicchetti classification system.[6] However, the former scheme has been applied only to cross-sectional samples and relies on community "sentinels" (who have familiarity with families at risk of abuse and neglect) as the primary source of data. The latter has been applied only to samples of families, or to case records of families that have been involved in the child welfare system. Both designs limit our ability to understand the risk and precipitating factors that explain abuse and neglect—a particular problem for those interested in understanding the effects of welfare reform on child maltreatment.

What is the relevant time period for assessing this relationship?

Any assessment of welfare reform's impact on child welfare systems should obviously begin at least in the mid-1990s before passage and implementation of PRWORA policies. Using such a starting point, several trend studies relying on welfare and child protection administrative data have been conducted or are currently underway.[7] But only limited inferences can be made from aggregated trend data, as discussed in relation to Figure 2. States were implementing reforms before, during, and after the passage of PRWORA in welfare and in child welfare systems, and state rates of caseload decline and/or growth in both systems are different. Sorting out the relative contributions of particular reforms to child welfare trends is, therefore, not easy.

Another solution is to track a group of individuals or families (using administrative data, survey data, or both) beginning before welfare reform, and to monitor the timing of their transitions off and on welfare and health insurance and in and out of work, in relation to any intervention by the child welfare system. This approach overcomes some of the problems inherent in analyses with aggregated data. It also ensures that the group followed resembles the population of welfare recipients prior to welfare reform, since the post-welfare-reform population is likely to look quite different.[8] But to be able to account for potentially confounding factors such as a family's predisposing characteristics, we need a broad array of measures related to both welfare receipt and child welfare risk. Such measures are often absent from administrative data, increasing the likelihood of bias stemming from factors that have been left out of consideration. Moreover, nearly every major survey designed to address the effects of welfare reform on families has either failed to establish a link between the survey data and child welfare administrative data, or was implemented after the passage of PRWORA.[9]

Which children and families constitute the "population at risk"?

Should we be monitoring children or families in our assessments of welfare reform's effects on child welfare systems? There are certain benefits to using children as the "unit of analysis," since multiple children from the same family may have different types and levels of risk for maltreatment. To understand involvement with the child welfare system, however, the family may be a more appropriate unit of analysis, since many of the reasons

families come to the attention of the child welfare system are related to the behaviors of a caregiver.[10]

Among welfare families, "leavers" are only one group, although they are of special interest to welfare policymakers because of the uncertainty surrounding their outcomes. Studies that focus on current recipients of welfare will oversample long-term recipients who may be less and less representative of the welfare population over time.

New or first-time welfare recipients, like long-term recipients, still represent a select group of eligible individuals. Samples selected from a population of applicants for welfare can help reduce this bias, since individuals who are denied benefits or who do not follow through on their applications may also be affected by welfare reform policies, as may other eligible families who for various reasons do not apply for assistance. It is important to understand how child welfare risk for these low-income groups is affected by reforms, as well. Finally, the risk of involvement with the child welfare system among the general population could be indirectly affected by welfare reforms. For example, if reforms significantly reduce the involvement of groups traditionally overrepresented in child welfare systems (e.g., low-income families or welfare recipients), more resources might be redirected toward services for families with less severe cases of maltreatment.

Because child maltreatment is a relatively rare event, sample size is an important issue in studies of abuse and neglect. Even within populations where child protection intervention is known to be more likely, including low-income and welfare recipient families, very few experience so high a degree of risk or harm. The third National Incidence Study of child abuse and neglect (NIS-3) estimated an incidence of 23.1 to 41.9 per 1,000 children within the general U.S. population (using a conservative standard of harm and a more liberal standard of risk, respectively.)[11] Among children from families earning less than $15,000, the overall incidence of maltreatment rises to 47.0 per 1,000 under the "harm" standard and to 95.9 per 1,000 under the "risk" standard. These numbers make it more difficult for researchers studying child maltreatment, including study of "within-group" variation in maltreatment among certain subgroups (e.g., low-income families), because their sample sizes are often too small to capture many instances of abuse and neglect. Moreover, the estimates above reflect "actual" maltreatment as opposed to cases in which the child welfare system has been involved. Incidence rates will be even smaller in studies that examine formal child welfare cases.

Findings related to welfare reform and child welfare

The brief overview presented in Table 1 summarizes some of the findings regarding the welfare policy correlates of family involvement with the child welfare system. I have particularly selected results of multivariate analyses which control for other risk factors.[12]

What do we know?

The "design characteristics" column of Table 1 makes it clear that researchers assessing the connection between welfare and child welfare are doing so in very different ways. Although most research to date has assessed trends in the dynamics between public assistance and child welfare involvement, the populations researchers have examined are different; they include states, entrants to the welfare system, and children reported to the child welfare system.

Trends in reporting of maltreatment following welfare reform were different for different regions, though this difference may be an artifact of the study samples chosen. A study of child entrants to welfare in Illinois found that substantiated reports decreased after welfare reform legislation was passed (Goerge and Lee). Another study in Ohio that examined all children who became involved with the child welfare system (irrespective of previous welfare receipt) found an increase in the number of reports, more serious reports, and foster care placements from 1995 to 1998 (Wells, Guo, and Li).

In multivariate analyses reported in Table 1, poverty and welfare use (defined as welfare benefit level, welfare receipt, and/or length of time receiving welfare) were found to be positively associated with child maltreatment reports, substantiated reports, and/or foster care placements (see the studies by Paxson and Waldfogel, Goerge and Lee, and Needell and colleagues). States that adopted more stringent welfare policies (e.g., full grant sanctions, shorter time limits, and immediate work requirements) were more likely to show increases in out-of-home care (Paxson and Waldfogel).

Of the three studies involving in-person surveys, one, conducted prior to welfare reform, demonstrated that declines in welfare income were associated with an increased risk of child welfare intervention among unemployed respondents (Shook). The extent to which employment operated as a protective factor varied among the studies (Courtney, Piliavin, and Powers; Slack and colleagues). These distinct findings could relate to methodological shortcomings (e.g., Shook's survey had a low response rate and may therefore not be comparable to the other two investigations), differences in populations (Courtney and colleagues relied on welfare applicants, the other two studies on current welfare recipients), or differences in the research model (e.g., control variables in the studies were different and so were the measures of children's involvement with the child welfare system).

Consistent with findings from the trend studies described earlier, Slack and colleagues found that welfare receipt

Table 1
Welfare Reform and Child Welfare Systems: Selected Studies

Study	Design Characteristics	Main Findings
	Trend Studies	
C. Paxson and J. Waldfogel "Work, Welfare, and Child Maltreatment," Working Paper, Princeton University, February 2000. C. Paxson and J. Waldfogel "Welfare Reforms, Family Resources, and Child Maltreatment," In *The Incentives of Government Programs and the Well-Being of Families*, ed. B. Meyer and G. Duncan. Joint Center for Poverty Research, 2001.	State-level data from 1990 to 1998 on reports and substantiated reports of maltreatment, out-of-home placements, census data on socioeconomic characteristics of families, and welfare policies Fixed-effects methods used to adjust for unobserved state characteristics Controls for each year to address "history" effects	Increases in poverty rates were associated with increases in child maltreatment reports. Lower welfare benefits were associated with more child neglect reports, and more children in substitute care. Increases in fractions of children with absent fathers and working mothers, and with greater fractions of children with two working parents, were related to increases in child welfare involvement. The adoption of waivers prior to welfare reform was associated with small declines in physical and sexual abuse. Prior to welfare reform, states incorporating full family grant sanctions, immediate work requirements, and shorter lifetime limits had higher rates of maltreatment reports and/or substitute care populations.
R. M. Goerge and B. J. Lee "Changes in Social Program Participation in the 1990s: Initial Findings from Illinois," Working Paper, Joint Center for Poverty Research, 2000.	Administrative data on Illinois children who were first-time AFDC/TANF recipients in each year from 1991 to 1998 Examined substantiated abuse and neglect report and foster care placement rates for each entry cohort up to the end of 1998 Examined the changes in the rate patterns before and after welfare reform by using AFDC/TANF "entry" years	Between 1994 and 1996 child maltreatment substantiation rates remained constant; the rate decreased by 10% for the 1997 cohort, with no apparent increase for the 1998 cohort. Of those children who entered AFDC/TANF, children were more likely to have substantiated abuse/neglect reports while on AFDC/TANF than when they were not receiving aid. Also, children from higher-poverty communities were more likely to have a substantiated report than children from less impoverished communities. Children in an active AFDC/TANF case were twice as likely as children in inactive AFDC/TANF cases to enter foster care. Living in a higher-poverty community was also associated with an increased likelihood of foster care placement.
B. Needell, S. Cuccaro-Alamin, A. Brookhart, and S. Lee "Transitions from AFDC to Child Welfare in California," *Children and Youth Services Review* 9/10 (1999): 815–41.	Administrative data on California children entering AFDC in each year from 1990 to 1995 Child welfare involvement (reports, investigations, case openings, and foster care placements) during this time period	Children from single-parent cases had an increased risk of child welfare events. The length of time on AFDC was associated with increased risk of child welfare involvement. Breaks in Medicaid insurance coverage were associated with increased risks for reports, investigations, and case openings.
K. Wells, S. Guo, and F. Li *Impact of Welfare Reform on Foster Care and Child Welfare in Cuyahoga County, Ohio.* (Interim Report.) Case Western Reserve University, 2000.	Administrative data on children reported to the child welfare system from 1995 to 1998	From 1995 to 1998, there were increases in the number of reports, the number of more serious reports, the number of neglect reports, and in the number of children reported per 10,000. For the same time period, there were increases in the number of substantiated reports of maltreatment, in the number of foster care placements, and in the proportion of children referred to foster care. Increases in monthly maltreatment reports were associated with decreases in the welfare caseloads in the same month.

	In-Person Surveys	
Shook, K. "Does the Loss of Welfare Income Increase the Risk of Involvement with the Child Welfare System?" *Children and Youth Services Review* 9/10 (1999): 781–814.	Survey data on 1995 current welfare recipients in Chicago, linked with administrative data on family-level welfare and child welfare involvement	Reduced welfare income during periods of unemployment increased the likelihood of having a substantiated report or case opening within a 14-month period following sample selection. This relationship was partially mediated by economic hardship.
K. S. Slack, J. Holl, B. J. Lee, L. Altenbernd, M. McDaniel, and A. B. Stevens "Child Protection Intervention in the Context of Welfare Reform," Working Paper, University of Wisconsin–Madison, School of Social Work, 2001.	Survey data on 1998 current TANF recipients in nine Illinois counties, linked with administrative data on family-level welfare and child welfare involvement	Respondents who received welfare in the previous month had an increased risk of a child maltreatment report, particularly indicated reports, within a 14-month period following the initial interview. Respondents with one or more children lacking health insurance coverage had a significantly increased risk of having an indicated maltreatment report.
M. Courtney, I. Piliavin, and P. Powers "Involvement of TANF Applicants with Child Protective Services," Discussion Paper 1229-01, Institute for Research on Poverty, University of Wisconsin–Madison, 2001.	Survey data on 1999 TANF applicants in Milwaukee County, linked with administrative data on family-level welfare and child welfare involvement	Employment was a protective factor for child maltreatment reports during a 16-month period following the initial survey. Economic hardships increased the risk of having a maltreatment report.
	Experimental Studies	
D. J. Fein and W. S. Lee *The ABC Evaluation: Impacts of Welfare Reform on Child Maltreatment.* Cambridge, MA: Abt Associates Inc., 2000.	Pre-welfare-reform (1995–1996) experimental evaluation of Delaware's welfare program, A Better Chance (ABC), which contains policies characteristic of PRWORA Only single-parent cases were involved in the evaluation	ABC increased the proportion of families with a substantiated neglect report in the first and third year of follow-up, but no statistically significant differences related to other forms of maltreatment. For some subgroups, ABC was associated with small decreases in physical and emotional abuse.
	"Stakeholder" Studies	
R. Geen, L. Fender, J. Leos-Urbel, and T. Markowitz "Welfare Reform's Effect on Child Welfare Caseloads," Discussion Paper, Urban Institute, 2001.	In-depth case studies with welfare and child welfare stakeholders in multiple states and localities in 1997, with a follow-up in 1999	Respondents have not witnessed increases in child welfare caseloads that they attribute to welfare reform; however, they have observed adverse effects on families involved with both systems. Most felt that it is "too early to tell," since many families have not yet reached their time limits on TANF assistance.

was associated with an increased risk of involvement with the child welfare system. In Milwaukee County, there were no statistically significant differences between applicants who did not end up receiving welfare benefits and other groups of welfare recipients (Courtney and colleagues). Gaps in health insurance coverage were associated with an increased risk of child welfare intervention (Slack and colleagues, Needell and colleagues).

Perhaps the most powerful study to date on this topic is the experimental evaluation of Delaware's prereform welfare waiver demonstration, A Better Chance (Fein and Lee). In their evaluation, the proportion of families for which child neglect was substantiated was higher in the "treatment" group than in the group receiving traditional welfare services. Since neglect is the form of child maltreatment most associated with poverty and economic hardship, it is, arguably, the type of maltreatment most likely to be influenced by welfare reforms.[13]

The final study included in Table 1 involved interviews with "key child welfare stakeholders" in multiple regions (Geen and colleagues). Although this investigation did not find evidence that child welfare systems have been adversely affected by welfare reform, the resounding message these researchers heard from respondents was that it is "too early to tell"—a statement reiterated by most of the research teams in this overview. Nearly every study involving post-welfare-reform analyses cautioned that welfare reform has not yet been put to the test, given the positive trends in the economy during the early years following the passage of PRWORA.

What do we still need to know?

It does not yet seem possible to tell a coherent story about welfare reform and child welfare based on the early findings. This question is simply too important to stop asking, however. Several of the research investigations described in Table 1 are in their early phases, and other investigations are planned or underway. If the efforts of researchers interested in the effects of welfare reform on child endangerment and on child and family well-being more generally can be better coordinated and communicated, a more developed understanding of the connection between welfare reform and child welfare will undoubtedly emerge.

Recommendations

Shore up existing "safety nets" by increasing levels and flexibility of prevention funding

Because it is too early to know whether welfare reform will have serious consequences for child welfare systems, there are specific steps that we can take to ensure that the "front end" of child welfare is well positioned to deal with increased pressure from families experiencing hardship.[14]

Recommendations from experts include:

- reauthorizing the Promoting Safe and Stable Families Program in the federal Administration for Children and Families (ACF), in conjunction with a substantially increased budget;
- uncapping Emergency Assistance dollars (currently folded into TANF block grants), and then committing a substantial level of resources to this program;
- significantly increasing ACF's Social Services Block Grant (SSBG), which was reduced under PRWORA, and allowing federal reimbursements for SSBG funds to rise with inflation.

Since the research findings above suggest that families with different degrees of connection to the welfare system face risks to the welfare of their children, strategies should be developed for making prevention and support services widely available to families potentially affected by PRWORA reforms.

Support the implementation and continuation of longitudinal studies addressing child well-being

We are only recently witnessing a downturn in the U.S. economy. In conjunction with the social and political events of recent months, it is difficult to predict what will happen to both welfare and child welfare systems. Although welfare caseloads declined steadily during the 1990s, past evidence suggests that a rise in unemployment will likely lead to a rise in welfare assistance caseloads.[15] The historical overlap between welfare and child welfare systems suggests that we could begin seeing a similar trend in the latter system.

Since many of the effects of welfare reform and changes in the economy may not be immediate, it is critical to invest in longer-term studies of current and former welfare recipients, and of low-income families in general. It is also important to refine our measures of child maltreatment for assessing child well-being in the context of welfare research. If clearer and more consistent definitions of maltreatment can be applied in empirical investigations, particularly in prospective studies, we will greatly enhance our understanding of the etiology of maltreatment and be better able to sort out the differential effects of welfare reform on the risks of child maltreatment and child welfare intervention.

Support federal waiver demonstrations that relax TANF requirements and provide additional supports for certain families

At some point, "welfare reform" will simply become "welfare" in the vernacular. We are no longer able to implement rigorous experimental evaluations of PRWORA's impact, since the reforms are already in place. However, we are able to consider experimental studies that mirror the waiver demonstrations preceding PRWORA. In an era of more restrictive welfare policies,

what benefits emerge when certain TANF requirements are relaxed for families struggling to make ends meet? What advantages might be produced for families given more intensive support services *to specifically enhance child and family well-being* (and not simply labor force attachment)? As we learn more about which families face the greatest risk for child maltreatment and child welfare intervention, and which families are least successful in the welfare-to-work transition, we should be able to target initiatives such as these very effectively. ■

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[1]K. Shook, "Assessing the Consequences of Welfare Reform for Child Welfare," *Poverty Research News* (Joint Center for Poverty Research) 2, no. 1 (1998): 8–12; A. Russell and C. Trainor, *Trends in Child Abuse and Neglect: A National Perspective* (Denver, CO: American Humane Association, 1984); E. Jones and R. McCurdy, "The Links Between Types of Maltreatment and Demographic Characteristics of Children," *Child Abuse and Neglect* 16, no. 2 (1992): 201–15.

[2]U.S. Department of Health and Human Services, Administration on Children, Youth and Families, *Child Maltreatment 1998: Reports from the States to the National Child Abuse and Neglect Data System*, Washington, DC, 2000; A. Sedlak and D. Broadhurst, *Third National Incidence Study of Child Abuse and Neglect, Final Report*, U.S. Department of Health and Human Services, Administration for Children and Families, Washington, DC, 1996; C. Coulton, J. Korbin, M. Su, and J. Chow, "Community Level Factors and Child Maltreatment Rates," *Child Development* 66 (1995): 1262–76; B. Drake and S. Pandey, "Understanding the Relationship between Neighborhood Poverty and Specific Types of Maltreatment," *Child Abuse and Neglect* 20 (1996): 1003–18.

[3]M. Ellwood and L. Ku, "Welfare and Immigration Reforms: Unintended Side Effects for Medicaid," *Health Affairs* 1713 (1998): 137–51.

[4]Shook, "Assessing the Consequences of Welfare Reform for Child Welfare"; D. Fein and W. Lee, *The ABC Evaluation: Impacts of Welfare Reform on Child Maltreatment*, Abt Associates Inc., Cambridge, MA, 2000.

[5]Sedlak and Broadhurst, *Third National Incidence Study*.

[6]D. Barnett, J. Manly, and D. Cicchetti, "Defining Child Maltreatment: The Interface between Policy and Research," in *Child Abuse, Child Development, and Social Policy: Advances in Applied Developmental Psychology, Vol. 8*, ed. D. Cicchetti and S. Toth (Norwood, NJ: Ablex Publishing Corp., 1993).

[7]C. Paxson and J. Waldfogel, "Work, Welfare, and Child Maltreatment," Working Paper, Princeton University, February 2000; C. Paxson and J. Waldfogel, "Welfare Reforms, Family Resources, and Child Maltreatment," in *The Incentives of Government Programs and the Well-Being of Families*, ed. B. Meyer and G. Duncan (Evanston, IL: Joint Center for Poverty Research, 2001); R. Goerge and B. Lee, "Changes in Social Program Participation in the 1990s: Initial Findings from Illinois," Working Paper, Joint Center for Poverty Research, Evanston, IL, 2000.

[8]The "timing" issue also depends on the research question. If the goal is to assess the *impact* of welfare reform, then a prereform sample is required. However, such a sample will, over time, be less characteristic of the group of current TANF recipients. If the goal is to understand the current welfare context and its effects on families, a postreform sample may be more appropriate.

[9]There are important confidentiality issues in any research involving linkages between survey data and administrative data. These are a critical point to consider in the design phase of studies that address family and child well-being, since it is often very difficult to obtain informed consent from study participants for access to administrative data at a later stage of a study (e.g., because of attrition).

[10]Fein and Lee, *The ABC Evaluation*.

[11]Sedlak and Broadhurst, *Third National Incidence Study*.

[12]A new report synthesizing much of this research is R. Hutson, *Red Flags: Research Raises Concerns about the Impact of "Welfare Reform" on Child Maltreatment*, Center for Law and Social Policy, Washington, DC, 2001.

[13]Sedlak and Broadhurst, *Third National Incidence Study*.

[14]R. Bess, J. Leos-Urbel, and R. Geen, *The Cost of Protecting Vulnerable Children II: What Has Changed since 1996?* Urban Institute, Washington, DC, 2001; M. Courtney, "The Costs of Child Protection in the Context of Welfare Reform," *The Future of Children* 8, no. 1 (1998): 88–103.

[15]N. Bernstein, "Reliance on Welfare Windfall May Prove Costly for State and City, Report Warns," *New York Times*, July 31, 2001.

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Child care for low-income working families

Barbara Wolfe and Deborah Lowe Vandell

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In the United States today, over 60 percent of children under four, and around half of children two years old or younger, are in regularly scheduled child care outside their homes. These numbers reflect swift and radical changes in American family life—as recently as 1970, barely 30 percent of children under five were in child care—and signal, in part, the entry of large numbers of women with children into the labor force.[1]

The sea change in American mothers' roles was acknowledged in the 1996 welfare legislation, which imposed work requirements on single mothers, even with very young children, who apply for assistance. But in spelling out the mother's obligation to work, most state governments have also accepted, as a corollary, the government's obligation to provide work supports. The most important of these has been child care. Again, change has been rapid and substantial. Between 1995 and 2000, for example, spending for child care rose, on average, from around 14 percent to 38 percent of state welfare budgets in the seven midwestern states that belong to the Welfare Peer Assistance Network (see the WELPAN article in this *Focus*).

In fiscal year 2000, U.S. states expended a total of $8 billion for child care. Over $6 billion of that amount came from the federal government, including $5.1 billion from the Child Care and Development Fund and $1 billion in direct spending under the Temporary Assistance for Needy Families (TANF) program. These funds are used to assist low-income families, families on TANF, and those moving off assistance to pay for child care, through vouchers or direct payments to providers, so that they can work or attend training and education programs.

The substantial increases in public expenditure have taken place in a rather ad hoc and piecemeal fashion, as both federal and state governments have scrambled to adjust to the newly restructured world of social assistance, without coherent national child care policies to guide them.[2] Devolution of responsibility to state and local government is, of course, central to the federal welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. But at all levels of government, policymakers must justify the continuance of large expenditures of government funds. And to guide the effective deployment of such funds, they require clear answers to some important and very specific questions about nonparental child care. These questions include: (1) does high-quality child care improve child developmental outcomes, (2) does high-quality child care impact parental employment, (3) is there a case for public investment in improving child care, and (4) what might be done to provide higher-quality child care?

Does high-quality child care improve child developmental outcomes?

One reason for providing public funds is that high-quality child care supports or enhances developmental outcomes for children who are at risk because of poverty. From the 1960s on, the federal government has become an influential presence in the child care arena. Head Start, for example, extended preschool services to poor families, and various federal subsidy programs for child care were established. Evaluations of a small cluster of early childhood interventions offer evidence that enriched and intensive child care programs for low-income, "high-risk" preschool children have potentially powerful and long-lasting effects. The best-known are the Carolina Abecedarian Project, the Perry Preschool Project, and the Chicago Child-Parent Centers.[3] Children who participated in the Chicago centers, a large-scale public project involving thousands of children in the poorest Chicago neighborhoods, had better math and reading scores year after year. By age 20 they were more likely to have completed high school and to have lower rates of juvenile criminal activity than children not in the program.

These early intervention projects were not viewed by their designers as child care, but as educational programs. High-quality child care, however, may serve as an educational intervention. There is a substantial body of child care research during the past 20 years that has found higher-quality care to be associated with better cognitive, language, and social development for children, and lower-quality care with poorer outcomes in these areas.

The studies measured child care quality in two main ways. The first is by actually observing what happens in child care settings—children's interactions with caregivers and other children, particular activities such as language stimulation, and health and safety measures. These features are described as indicators of *process quality*, which is scored by widely accepted rating scales. The second set of indicators measures the *structural characteristics* of the child care setting and the quality of

the caregivers: the size of the group of children, the ratio of children to adult caregivers, and the formal education and training of the caregivers.

In the short term, while children are in care, both types of measures are related to how well children do. Taking into account both the gender of the child and family factors, researchers find that children appear happier, have closer and more secure attachments to their caregivers, and perform better on cognitive and language tests in settings where process quality is higher, that is, where activities are developmentally appropriate and caregivers are emotionally supportive and responsive to their needs. In contrast, poor process quality appears to predict heightened behavioral problems.

Structural quality is also related to children's performance. Children in classrooms with lower child:adult ratios were better able to understand, initiate, and participate in conversations, had better general knowledge, were more cooperative, and in their interactions with each other showed much less hostility and conflict than in settings where there were more children to each adult. On average, preschoolers are in general more ready for school when their caregivers are better educated and trained—they perform better on standard tests, have better language skills, and are more persistent in completing tasks.

Researchers also have considered longer-term associations between high-quality child care and children's language skills and social development. In the NICHD Study of Early Child Care, process quality during the first 4.5 years was related to children's expressive and receptive language skills at age four and a half. The Cost, Quality, and Outcomes Study found that children enrolled in higher-quality child care as preschoolers displayed better math skills through second grade; the effect was greater for the children of less-educated mothers.[4]

Are these associations large enough to be meaningful? The NICHD study suggests that they are, but its parallel analysis of developmental effects associated with the home environment offers useful perspective. For three-year-olds and four-and-a-half-year-olds, developmental outcomes associated with the home environment are roughly twice as great as the effects associated with child care quality. For young children, it appears, the family remains the most important determinant of development.

Does high-quality child care affect parental employment?

A second rationale for public support is the evidence that high-quality child care affects parents' employment. Evidence on the relationship between child care quality and employment is limited, but it suggests that, among low-income women, high-quality care may increase the likelihood and stability of employment and hours of work. Mothers in the Infant Health and Development Program, an intervention program providing center-based care for low-birthweight infants, were significantly more likely to be working than mothers in the control group, and the effect was greater for less-educated than for better-educated women.

There is complementary evidence of the negative effects of poor-quality care on employment: nearly a third of teenaged mothers participating in one experiment, the Teenage Parent Demonstration, reported that unsatisfactory quality of child care had led them to stop working or to change hours and activities.[5]

Is there a case for public investment in improving child care?

In making a decision about whether additional public investments are warranted, policymakers should consider if high-quality care is the norm or the exception. Because there are no nationally representative studies, we must rely upon suggestive evidence from multisite studies. Perhaps the best available evidence of *process quality* comes from the NICHD study, which conducted observations in over 600 nonmaternal child care settings of all kinds (grandparents, in-home care, child care homes, and centers). Extrapolating their findings to a national sample of American families, researchers estimated that, among child care settings for children younger than three, 8 percent were poor, 53 percent fair, 30 percent good, and 9 percent excellent—in other words, not terrible, but not outstanding, and plenty of room for improvement.

The quality of child care can also be estimated by the extent to which states adhere to age-based guidelines, such as those established by professional organizations like the American Academy of Pediatrics and the American Public Health Association. Only three states, for example, mandate the recommended 3:1 infant:adult ratio. Some states are at substantial odds with the standards; eight states permit an infant:adult ratio of 6:1. Overall, there is much variability among states. For example, recommended state child:staff ratios for four-year-olds range from 6:1 to 20:1.[6]

The education and training of caregivers also varies considerably. In 1990, 34 percent of regulated home child care providers had no schooling beyond high school and only about two-thirds had received any in-service training. In contrast, nearly half of caregivers in centers had completed college and 90 percent had received at least 10 hours of in-service training.[7]

Over the 1990s, there appears to have been some decline in the educational background and training of child care

staff in the centers. The NICHD study found that only about two-thirds of caregivers for infants and toddlers had more than a high school diploma, and just over half had received specialized training during the preceding year. The decline may be related to the generally low wages in the child care field. These did not improve during the 1990s. Teachers averaged between $13,125 and $18,988 for full-week, full-year employment, assistant teachers only $6–$7 an hour. In 1997, 27 percent of teachers and 39 percent of assistants said that they had left their jobs in the previous year, and 20 percent of centers reported losing half or more of their staff.[8]

These figures suggest that child care needs to be improved. Can improvement occur by letting the marketplace provide the solutions?

In the child care sector, there are two primary reasons that the market is unlikely to do so. The first is lack of information. In part because the market is made up of many small providers, it is difficult for parents to compare quality, cost, and availability of care, and they are often unsure how to evaluate the information they do acquire. Considerations of convenience, time, and access mean that parents may limit their search to small geographic areas; these problems are particularly acute for low-income families and for those who need care for odd-hours employment.

The second reason that the market fails is what economists call "externalities" (effects beyond the primary consumers). The benefits of high-quality care accrue to society generally, as well as to parents and children. These benefits include lower costs for elementary and later schooling, as children enter school better prepared; less crime, as juvenile delinquency diminishes; and increased productivity and lower need for social services, as working parents (and their employers) face fewer absences and disruptions occasioned by child care problems. The family and social costs of poor-quality, unsafe, and unhealthy child care are apparent.

Government intervention may also be justified on the grounds of equity and equality of opportunity. This is especially important today, in view of the necessity for most low-income single parents to work. There are two primary issues here. First, if high-quality child care improves cognitive ability, school readiness, and social behavior, children in poor families should be given the same opportunity to benefit as children in well-off families. Parents with limited earnings cannot afford high-quality care. Unless financial help is forthcoming, they may have to use poor-quality care, including multiple and unstable arrangements that may put their children's safety at risk, increase family stress, and reduce children's readiness for school.

Second, low-income parents' choices of child care are constrained by the structure of the low-wage labor market, which fits very poorly with the structure of more formal child care options. Almost half of working-poor parents work on a rotating or changing schedule. Those employed through temporary agencies and in unskilled or low-wage service jobs typically work irregular and unpredictable hours. More than a fourth of working-class mothers in the National Child Care Survey worked weekends. Yet only 10 percent of centers and 6 percent of family day care homes provide weekend care. These circumstances, again, may make it necessary for parents to patch together child care using multiple providers, sometimes of lower quality than they would prefer.[9] Because the demand for high-quality care is too low, pay for child care workers is very low, and better-trained providers will tend to seek employment in other spheres.

These arguments in favor of an active government role, both as provider and funder of services, are not so very different from the arguments for a government role in elementary and secondary schooling. These are mandatory, and are provided or subsidized by the public sector. Market failure and constraints on choices by low-income families both justify a similar public-sector intervention to improve the quality of young child care, which otherwise finds itself in a downward spiral.

What might be done to improve the quality of child care?

Potential public-sector interventions for improving the quality of child care can take many forms. They include provision of information, licensing requirements, placement activities, training programs for providers, subsidies to child care workers, tax credits for lower-to-middle-income families, and even direct provision of care. In the longer run, research continues to be necessary to identify the most effective ways to improve the quality of care; these may differ for children from different backgrounds.

The minimum role of the public sector is that of provider of information on available services and their characteristics, on the costs of care and education, and on the training of providers. Many states need to strengthen minimum standards, and states might create certification and incentive programs for providers who meet certain requirements.

A more ambitious role for the state involves provision of training programs and training subsidies, either for child care providers or for those entering the field of early childhood education. There is a long tradition of such subsidy programs when shortages are anticipated; examples include nursing and medical education. Other possibilities include college loan forgiveness programs for those who spend a period of time as a child care provider after obtaining a degree. Programs to raise sala-

ries would certainly increase the pool of qualified providers, as is suggested by the fact that higher-paying centers have lower staff turnover. Tax credits to parents, subsidy programs, and direct payment to providers might all achieve this goal. Turnover among providers might be reduced by paying bonuses for a specified number of years of service.

Models for programs to improve child care quality exist. Here are two examples:

- In 1993, the state of North Carolina began a broad-based community initiative, Smart Start, a partnership among state government, local communities, service providers, and families.[10] On the basis of competitive review, 12 county partnerships, comprising over 180 child care centers, received funds for new and improved child care services. Surveys in 1994 and 1996 demonstrated that, on average, centers engaged in about five different improvement activities, which included training workshops, on-site consultation or technical assistance, purchase of new equipment and educational materials and the establishment of lending libraries, improvement of services for children with disabilities, transportation aid, higher subsidy rates, and subsidy increases if the provider met higher standards. The program significantly improved quality in the centers that participated. In 1994, only 14 percent of centers were rated as "good-quality"; in 1996, 25 percent were. And these improvements were linked to the cognitive, language, and social skills of children in participating centers.
- The federal Department of Labor offers a child care apprenticeship program in West Virginia that includes 4,000 hours of supervised on-the-job training and 300 hours of classroom instruction. Apprentices earn while training and receive incremental wage increases as their skills and knowledge increase. Employers report almost no turnover among these apprentice providers, who report themselves highly satisfied with their careers.[11]

How widespread, and effective, are subsidies to parents and providers? In 1999, about 1.5 million children in poor families, around 10 percent of those said to be eligible, were receiving child care subsidies. Federal law permits children living in families with up to 85 percent of median income to receive such subsidies, but states have set the bar lower. Eligibility, access, and outreach vary among the states, and so do take-up rates. Yet there is clear evidence that families do respond to available subsidies, and the arrangement they most frequently choose is center-based child care.[12] The profile of arrangements used by low-income parents receiving subsidies is strikingly different from that of all low-income families.

The form in which the subsidy is administered makes a difference. If low-income families received reimbursement 30–60 days after they had paid their child care obligations, their patterns of use resembled those of unsubsidized families. In contrast, families that received subsidies through programs that either directly paid providers or enabled families to pay when fees were due were much more likely to use center-based and formal family day care arrangements. Nor does the evidence suggest that subsidized children were receiving lower-quality care than that received by higher-income, fee-paying children.[13]

More ambitiously, we ask: How might we construct a program of universal child care for preschool children of working parents? Such a program could expand existing prekindergarten programs to a full day and include after-school care, combining direct provision through local school districts, existing community-based programs, and vouchers that would be accepted by certified providers. Part of the costs of this care would be offset by eliminating tax credits and current government subsidies for three- and four-year-olds. States and local communities would decide on the details of care, and financing would be shared across all levels of government. For toddlers, coordinated, high-quality care might also include family child care networks. For infants, the high cost of nonparental care suggests the possibility of subsidies for a parental leave program that might allow a mother or father to stay home to care for an infant during the first year. Models of such programs exist within other nations in the Organisation for Economic Co-operation and Development.

The cost of improving quality

What levels of investment might be necessary to improve the quality of child care in the United States? Several studies of the cost of improving structural quality shed some light on the relationship between quality and cost. Two studies using data from a 1989 survey of 265 accredited early childhood education centers were able to estimate the costs associated with changing the child:adult ratio, the size of the group, and staff characteristics (education, experience, and turnover rate).[14] Researchers found that:

1. Decreasing the average child:adult ratio by one is associated with increased costs of roughly 4.5 percent. If the average center, with 50 children and an average annual per-child cost of $6,500, were to reduce the child:staff ratio from 11:1 to 10:1, the annual cost per child would increase by about $306.
2. A one-year increase in the average educational level of the staff is associated with a 3.4 percent increase in total costs, including a 5.8 percent increase in wages.
3. A one-year increase in average staff experience is associated with a reduction in costs of 0.6 percent, even including a 2.3 percent increase in the wage bill.

4. Finally, the effect of high staff turnover is clear: the departure of an additional 20 percent of a center's teaching staff increases costs by 6.8 percent.

These data are 12 years old. Moreover, they include only accredited centers in the Midwest and South, accepting children aged four and five, and results may not be applicable to unaccredited centers. But somewhat more recent data collected in 1993–94 from 401 child care centers in four states also indicate statistically significant relationships between cost and quality.[15] Increasing center quality by 25 percent (from mediocre to good) is associated with about a 10 percent increase in total variable costs—approximately $346 per child per year.[16] Given an average center size, in this study, of 60 children, total costs would increase by about $20,700 per year.

Despite their limited representation, these studies provide us with a useful starting point. But research incorporating more current and nationally representative data will clearly be important to evaluating public policy strategies to improve the quality of child care. And none of these studies includes the investment that is likely to be the least expensive approach to improving quality: caregiver training, including in-service training. Common sense and existing evidence alike suggest that better-trained caretakers provide higher-quality care, but we are at present unable to attach any kind of cost estimate to such training.

The evidence is strong that "experiences starting at birth shape a child's personality, social skills, and self-esteem, and these are all factors in children's success in preschool and beyond."[17] This perception, along with the greatly increased time that children, especially children of low-income mothers, are spending in child care, makes the issue of investing in quality child care all the more important. Since society has decided that low-income single mothers should be in the workplace, and society has expressed a willingness to subsidize child care, the question remains whether the dollars are being spent most effectively in terms of the children who are being cared for. The studies reviewed here suggest there are substantial avenues for improvement of care and for more effective expenditures. ■

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[1]National Research Council and Institute of Medicine, *From Neurons to Neighborhoods: The Science of Early Childhood Development*, ed. J. Shonkoff and D. Phillips (Washington, DC: National Academy Press, 2000); U.S. Department of Health and Human Services, *Healthy Child Care America: Blueprint for Action*, Washington, DC, 1996.

It is important, however, to put these statistics in perspective. Even as the numbers of working women have grown, child care has remained very much a family matter. Care of children by other family members, especially grandparents but sometimes also older siblings, plays a large and continuing role. In 1965, around half of working, ever-married, low-income women relied on relatives to care for young children. In 1999, a study of participants in Wisconsin's welfare program, Wisconsin Works, found that about the same percentage of women in the program were relying on relatives to care for their young children. See B. Wolfe and S. Scrivner, "Child Care Use and Quality among a Low-Income Population," unpublished paper, Institute for Research on Poverty, 2001.

[2]According to a recent issue of *The Future of Children*, for example, the United States has almost no policies aimed specifically at supporting families as they nurture infants and toddlers. *Caring for Infants and Toddlers, The Future of Children* 11, no. 1 (Spring/Summer 2001), on the David and Lucile Packard Foundation World Wide Web site, < http://www.futureofchildren.org/pubs-info2825/pubs-info.htm?doc_id=79324 >

[3]C. Ramey, F. Campbell, and C. Blair, "Enhancing the Life Course for High-Risk Children: Results from the Abecedarian Project," in *Social Programs That Really Work*, ed. J. Crane (New York: Sage Publishing, 1998); L. Schweinhart, H. Barnes, D. Weikart, and others, *Significant Benefits: The High/Scope Perry Preschool Study Through Age 27* (Ypsilanti, MI: High/Scope Press, 1993); A. Reynolds, J. Temple, D. Robertson, and E. Mann, "Long-Term Effects of an Early Childhood Intervention on Educational Achievement and Juvenile Arrest: A 15-year Follow-up of Low-Income Children in Public Schools," *Journal of the American Medical Association* 285, no. 18 (May 9, 2001): 2378–80.

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[5]J. Brooks-Gunn, M. McCormick, S. Shapiro, A. Benasich, and G. Black, "The Effects of Early Education Intervention on Maternal Employment, Public Assistance and Health Insurance: The Infant Health and Development Program," *American Journal of Public Health* 84 (1994): 924–31; C. Ross and D. Paulsell, *Sustaining Employment among Low-Income Parents: The Role of Quality in Child Care, A Research Review*, Final Report, Mathematica Policy Research, Princeton, NJ, 1998.

[6]D. Vandell and B. Wolfe, *Child Care Quality: Does It Matter and Could It Be Improved?*, IRP Special Report 80, University of Wisconsin–Madison, Table 11.

[7]E. Kisker, S. Hofferth, D. Phillips, and E. Farquhar, *A Profile of Child Care Settings: Early Education and Care in 1990*, Volume 1, Mathematica Policy Research, Princeton, NJ, 1990.

[8]Vandell and Wolfe, *Child Care Quality*, Table 12; M. Whitebook, C. Howes, and D. Phillips, *Worthy Work, Unlivable Wages: The National Child Care Staffing Study, 1988–1997*, Center for the Child Care Workforce, Washington, DC, 1998.

[9]"Working-class" here is defined as those above the poverty line and earning less than $25,000. S. Hofferth, "Caring for Children at the Poverty Line," *Children and Youth Service Review* 17, no. 1–2 (1995): 1–31; M. Meyers, "Child Care in Employment and Training Programs: What Difference Does Quality Make?" *Journal of Marriage and the Family* 55 (1993): 767–83; D. Phillips, *Child Care for Low-Income Families: Summary of Two Workshops* (Washington, DC: National Academy Press, 1995).

[10]D. Bryant, K. Maxwell, and M. Burchinal, "Effects of a Community Initiative on the Quality of Child Care," *Early Childhood Research Quarterly* 14 (1999): 449–64.

[11]U.S. Department of Labor, *Meeting the Needs of Today's Workforce: Child Care Best Practices*, Washington, DC, 1998, on the Web at < http://www.dol.gov/dol/wb/public/childcare/child3.pdf >

[12]Phillips, *Child Care for Low-Income Families*. Among the various kinds of nonparental child care, the emphasis has changed somewhat (see Wolfe and Scrivner, "Child Care Use and Quality"). In 1965, only 3.8 percent of poor mothers used child care centers or professionals; nearly a quarter used a sitter or some kind of informal family care. In contrast, over a third of poor Wisconsin mothers (that is, mothers with

Income Volatility and Implications for Food Assistance Programs
IRP/ERS Conference, May 2002

The Institute for Research on Poverty, University of Wisconsin–Madison, and the Economic Research Service, U.S. Department of Agriculture, will sponsor a research conference to be held in Washington, DC, on May 2–3, 2002.

A goal of means testing is to maximize the coverage of benefits to eligible recipients while minimizing the leakage of benefits to those not in the targeted group. As eligibility requirements become more precisely defined or strictly enforced, leakage is reduced but administrative costs and participant burden increase. For programs requiring a large amount of documentation, some eligible recipients may decide that the costs associated with benefit receipt are too high. These tradeoffs are present in all means-tested transfer programs. The focus of the conference is on how income volatility affects these tradeoffs for domestic food assistance programs. Participants and papers to be presented are listed below.

This invitation-only conference is organized by John Karl Scholz and James P. Ziliak on behalf of IRP, and Dean Jolliffe and Craig Gundersen on behalf of ERS. For further information: Betty Evanson, phone 608 262-6358; e-mail: evanson@ssc.wisc.edu.

Income Instability and Food Stamp Use
Stephanie Aaronson, Board of Governors of the Federal Reserve System

WIC Participation
Marianne Bitler, Federal Reserve Bank of San Francisco and RAND; *Janet Currie*, UCLA; *John Karl Scholz*, Institute for Research on Poverty, University of Wisconsin–Madison

Income Volatility and Consumption Inequality
Richard Blundell, University College, London, and Institute for Fiscal Studies

Job and Earnings Instability: Consequences for Transfer Program Use
John Fitzgerald, Bowdoin College

The Evolution of Food Stamps in Consumption Stabilization
Craig Gundersen, Economic Research Service; *James P. Ziliak*, University of Oregon

Short Recertification Periods in the U.S. Food Stamp Program: Causes and Consequences
Nader S. Kabbani and *Parke E. Wilde*, Economic Research Service

Measuring Levels and Changes in Well-Being for the Poor Using Income and Consumption
Bruce D. Meyer and *James X. Sullivan*, Northwestern University

Welfare Dynamics and Transfer Program Participation: Evidence from the Three-City Study
Robert Moffitt, Johns Hopkins University

Gateways into the Food Stamp Program
Aaron Yelowitz, University of Kentucky

incomes below the poverty line) were using child care centers in 1999, and only about 6 percent were using sitters or family care. Those using child care centers were more likely to receive full-year subsidies than those using other forms of care.

[13]Phillips, *Child Care for Low-Income Families*.

[14]U.S. General Accounting Office, *Early Childhood Education: What Are the Costs of High-Quality Programs?* HRD-90-43BR, Washington, DC, 1990; I. Powell and J. Cosgrove, "Quality and Cost in Early Childhood Education," *Journal of Human Resources* 27 (1992): 472–84.

[15]S. Helburn and others, *Cost, Quality, and Child Outcomes in Child Care Centers. Public Report*, Center for Research on Economic and Social Policy, University of Colorado, Denver, 1995.

[16]Variable costs are the costs of running a center—personnel costs, food, etc. Fixed costs include, e.g., costs for buildings. For child care, the bulk of costs must be variable costs.

[17]The comment is by Mary Larner, editor of *Caring for Infants and Toddlers*, *The Future of Children* 11, no. 1 (Spring/Summer 2001). It appears on the Packard Foundation's Web site (see note 2, above).

Early childhood interventions: Knowledge, practice, and policy

Arthur J. Reynolds

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Over 35 years ago, the planning committee for Project Head Start issued a report that served as the foundation for our country's first federal preschool program. This February 1965 report explained that

> successful programs of this type must be comprehensive, involving activities generally associated with the fields of health, social services and education. . . . the program must focus on the problems of child and parent and . . . these activities need to be carefully integrated with programs for the school years.[1]

This forward-looking statement is still the vision for early childhood interventions, which today are seen as one of the most effective ways to prevent learning difficulties and to promote healthy development and well-being, especially among low-income children. Preschool programs are a centerpiece of many school and social reforms, and expenditures for them are likely to increase beyond the $15 billion now devoted annually to federal and state programs.[2] The main attraction of early childhood interventions is their potential for prevention and their cost-effectiveness, especially when compared to the well-known limits of remediation and treatment.

For this article, early childhood intervention is broadly defined as the provision of some combination of educational, family, health, and social services during any of the first eight years of life to children who face socioenvironmental disadvantages or developmental disabilities and thus are at risk of poor outcomes. Research on early childhood intervention is one of the most vibrant areas of inquiry in child development, spanning the fields of psychology, education, human development, nursing, pediatrics, and social welfare. Because the knowledge base is large, multidisciplinary, and fractured, a discussion of key advances and underdeveloped areas may help integrate emerging themes for a new era in education and human services policy.

The effectiveness of early childhood intervention: What we know

There have been three major advances in our knowledge about early childhood interventions over the past decade.

First, we know that a wide variety of programs have beneficial short- and long-term effects on child development. In the short term, children in well-implemented intervention programs consistently show higher levels of cognitive development, early school achievement, and motivation than children who do not participate. They are less likely to be held back or to need special education services during the elementary grades and, in the long term, they are more likely to finish school and to do better academically. Some studies have found that participating children have lower rates of antisocial behavior, delinquency, and crime and a better record of employment and economic success in adulthood than children who have not been in the programs. Participation also appears to be related to better nutrition, preventive health care, and family functioning.[3]

These positive effects generally hold for both model and large-scale programs. Nevertheless, the quality of large-scale programs continues to be uneven, and the evidence that they have longer-term effects on educational attainment, antisocial behavior, and adult outcomes is much weaker than the evidence for model programs. This is especially the case for Head Start.[4]

Second, both the timing and duration of intervention matter. The most effective programs are those that begin during the first three years of life, continue for multiple years, and provide support to families.[5] It is not surprising that this is so. Early entry provides greater opportunities to intervene before learning difficulties develop and at a time when children's cognitive, language, and motor skills are changing rapidly. Studies of two long-term programs, the Carolina Abecedarian Project and the Chicago Child-Parent Center (CPC) Program, reinforce the advantages of early participation: children who participated only in the preschool program did better and needed fewer remedial services than children who participated only in the school-age interventions. Moreover, in both programs, the largest effects accrued to children whose participation continued to second or third grade, confirming a basic premise of many developmental theories, that the duration of an intervention can matter at least as much as its timing.[6]

Third, a major developmental mechanism driving the long-term effects of early intervention is the cognitive and scholastic advantage that children in the programs experience. In other words, children's developed abilities, enhanced by participating in these programs, generate cumulative advantages: better classroom adjustment and school commitment, and less likelihood of grade retention, special education placement, and school mobility.[7]

Questions for a new age of intervention research

Despite the advances in our understanding of early childhood intervention programs, we still have no answers to many questions that were raised as early as the 1970s.[9] In particular:

1. What are the causal mechanisms and pathways through which different early childhood interventions promote long-term success?
2. For whom are existing programs most effective? Which program features are most associated with success?
3. What are the effects of contemporary public programs over time? Can confidence in research findings be strengthened to support policy decisions?

Many questions regarding the precise roles played by characteristics of the child, the family, and the program in determining children's outcomes are far from settled. Studies of the comparative effects of program curricula have also been limited mostly to model programs and children in poverty. Finally, a clear need exists for more and better evidence of the longer-term effects of large-scale and public programs, especially considering how diverse they are today.[9]

There are two reasons for our limited understanding of the mechanisms through which early intervention achieves its effects. First, investments in research and evaluation have been and continue to be low. In 1996, Head Start spent one-third of 1 percent of its federal expenditure on research and evaluation. This percentage is nearly identical to that allocated for all educational and social programs for children and youth in the United States.[10] In contrast, in the sectors of transportation, energy, and biomedical science, 2 to 3 percent of total expenditures are devoted to research and development, a rate 6 to 10 times greater than for social programs.

A second reason has been the predominant perspective in evaluation methodology, which has emphasized the main effects and internal validity of programs, and has tended to neglect study of moderating and mediating mechanisms and of ways in which successful features of a program can be replicated in other areas or with other population groups. Recently, however, theory-driven approaches have contributed to a greater appreciation of the value of explanatory and multiple methodologies in evaluation research.[11] One such approach, Confirmatory Program Evaluation, allows researchers to arrive at a better understanding of how social and educational programs achieve their effects.[12]

The advantages of Confirmatory Program Evaluation

In a theory-driven impact evaluation, researchers examine the explicit theory underlying the program to establish an a priori model of how the program *should* exert its influence. By comparing the empirical findings with the expectations for the program, the research seeks to reduce uncertainty about the causes of particular effects.

In a confirmatory evaluation, researchers might typically (1) specify a program theory and process that are expected to affect outcomes, (2) identify and measure outcomes for indexing the largest and smallest effects of participation, (3) collect data on causal mechanisms and on key background factors, (4) estimate the main effects of program participation and differential effects by relevant subgroups, (5) investigate the gradient, specificity, consistency, and coherence of the relationship between features of the program and its outcomes, with an emphasis on testing causal mechanisms, and (6) interpret the pattern of findings in such a way as to make it easier to generalize them and use them to improve the program.

Three key questions addressed in Confirmatory Program Evaluation are:

1. Is participation in the program independently and consistently associated with key outcomes?
2. What are the processes or pathways through which participation leads to children's outcomes?
3. Do the effects that we estimate depend on particular attributes of the child or the family, or on particular program components?

Using a confirmatory evaluation approach, an evaluator can explicate or test the size of the program effect; the program outcomes that yield the largest as well as the smallest effects; the consistency of effects across subgroups, models, and analyses; the causal mechanisms or pathways through which the estimated effects are manifested; and the factors that may influence how children are selected into the program and how well it is implemented. Confirmatory Program Evaluation is thus a cost-effective approach to answering questions about programs in circumstances where traditional random-assignment experimental methods are not feasible.

Examples from the Chicago Longitudinal Study

The capacity of Confirmatory Program Evaluation to answer complex questions about the effectiveness of large-scale, public, social and educational programs can be demonstrated from the Chicago Longitudinal Study, an extensive, ongoing study of a large-scale early childhood intervention, the CPC Program in Chicago public schools.[13] The examples in this article address three major questions about the effectiveness of CPC: (1) What are the pathways through which the program exerts long-term effects on children's development? (2) Who is benefitting most from participation? (3) How consistent are the estimated effects?

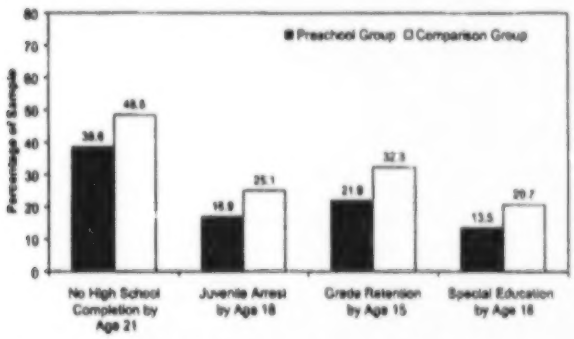

Figure 1. CPC preschool participation and four indicators of well-being at ages 18–20.

The Chicago Longitudinal Study includes 989 low-income, mostly African American children who entered the program in preschool and finished kindergarten in 1986 and 550 children from similarly disadvantaged neighborhoods who participated in an alternative all-day kindergarten program in the Chicago schools (this was the "treatment as usual" at the time). The groups were well matched according to their eligibility for intervention, family socioeconomic status, gender, and race and ethnicity. At age 20 (in 2000), 1,281 children (83 percent of the original sample) remained active in the study.

The CPC program is a center-based early intervention that provides comprehensive educational and family-support services to economically disadvantaged children from preschool to the early elementary grades (0 to 6 years). The central goal of the program is "to reach the child and parent early, develop language skills and self-confidence, and to demonstrate that these children, if given a chance, can meet successfully all the demands of today's technological, urban society."[14]

CPC is the second oldest federally funded preschool program (after Head Start) and the oldest extended childhood intervention. Each CPC site is under the direction of a head teacher and is located near or in an elementary school. For children, the program offers a structured and diverse set of language-based instructional activities, including field trips, that are designed to promote academic and social success. CPC also supports a multifaceted parent program that includes participating in parent-room activities, volunteering in the classroom, attending school events, and enrolling in educational courses for personal development, all under the supervision of a Parent-Resource Teacher. Outreach activities coordinated by a School-Community Representative include resource mobilization, home visitation, and enrollment of children most in need. Finally, a comprehensive school-age program from first to third grade supports children's transition to elementary school through reduced class sizes, teacher aides in each class, extra instructional supplies, and coordination of instructional activities, staff development, and parent-program activities organized by a Curriculum–Parent Resource Teacher.

Overall, there is clear evidence that CPC has been both successful and cost-effective. Consistently, measures of participation in the program have been significantly associated with key indicators that CPC is meeting its goals. For example, children who participated in the preschool program were, by ages 18–20, 29 percent more likely than the comparison group to have completed school, and had a 33 percent lower rate of juvenile arrest and a 40 percent lower rate of special education placement and grade retention (Figure 1). The length of children's participation in the program was also associated with significantly lower rates of grade retention, special education, and arrest for violent offenses.[15] The preschool program provided a return to society of $7.10 per dollar invested by increasing economic well-being and tax revenues, and by reducing public expenditures for remedial education, criminal justice treatment, and crime victims. The extended intervention program (4 to 6 years of participation) provided a return to society of $6.09, and the school-age program a return of $1.66, for each dollar invested.

1. Pathways of program effects

Figure 2 depicts the pathways through which early childhood intervention programs may be expected to promote social competence in adolescents. Out of the five primary hypotheses concerning these pathways, the Chicago Longitudinal Study has provided solid empirical evidence for three—cognitive advantage, school support, and family support.[16]

Table 1 examines the pathways by which two program indicators, preschool participation and length of time in the program, influence two long-term outcomes, school achievement at age 14 and the likelihood of school dropout before age 19. For school achievement, the cognitive advantage hypothesis contributes the most to the explanation of CPC effects, accounting for 21 percent of the total effects of preschool participation and almost 60 percent of the indirect effects of years in the program. Preschool participants started kindergarten more ready to learn than children who did not participate; this advantage directly carried over to later school achievement, above and beyond the effects of other intervening variables and apparently diffused throughout the schooling process, for example, by promoting positive classroom adjustment.[17]

Table 1 also shows that the cognitive readiness of preschool participants worked in conjunction with school quality, defined as the number of years children attended schools in which relatively high proportions of students scored at or above the national achievement norms. Moreover, preschool participants were more likely to have parents who participated in school activities after

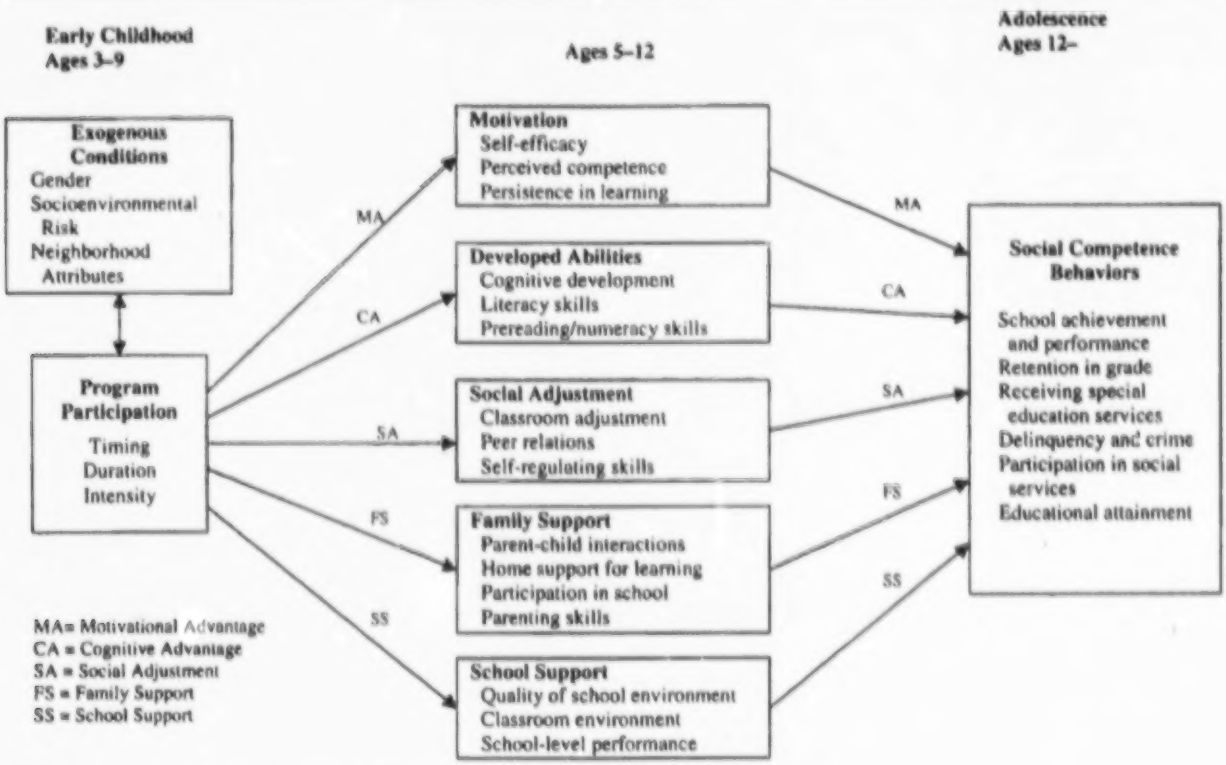

Figure 2. Alternative pathways leading to social competence: Explaining the effects of early childhood intervention.

the end of the program; this participation independently contributed to school achievement in adolescence. The length of time that children participated in CPC produced a similar pattern of influences.

The importance of particular pathways may vary, depending on the outcome being measured. In Column 2 of Table 1, high-school dropout becomes the object of interest, rather than academic achievement at age 14. Here, the cognitive advantage, school support, and family support hypotheses all made substantial contributions to the total indirect effects of program participation.

2. For whom are intervention services most effective?

Because of the compensatory nature of early interventions, it is often believed that children and families at the greatest level of risk should benefit more from participation than those at lesser risk. But until recently, few studies have systematically investigated the interactions between the program and the characteristics of the child (e.g., gender and race or ethnicity) or the family (e.g., socioeconomic status), and no consistent findings have emerged.[18]

The Chicago Longitudinal Study investigated the differential effects of program participation for an assemblage of child, family, and program-related variables: (i) gender, (ii) parents' education, (iii) the number of risk factors that the child experienced, (iv) neighborhood poverty surrounding the centers, (v) parents' participation in school, and (vi) the instructional approach in preschool.

Our study suggests that some of these characteristics did moderate CPC's effects on a number of program outcomes.[19] Children from the highest-poverty neighborhoods (those in which over 60 percent of children came from low-income families) appear to have benefitted more than children who attended programs in lower-poverty neighborhoods. This was especially true for reading and math achievement. There was some indication that boys benefitted more from preschool whereas girls benefitted more from follow-on intervention. The extent of the parents' involvement in the child's school did not appear to influence the effects of program participation.

Interestingly, different preschool curriculum approaches did not lead to consistent differences across outcomes. For example, children who participated in centers implementing a more structured, basic skills approach (teacher-oriented) had higher achievement test scores and lower rates of grade retention at age 14 but not at age 15.

3. Presence and consistency of estimated effects in large-scale programs

In the quasiexperimental and nonexperimental designs that are frequently utilized in studies of large-scale programs, it is particularly important to test the sensitivity of

Table 1
Total Indirect Effects of Two Program Indicators

Key Pathways	Age 14 School Achievement	Age 19 High-School Dropout
A. Preschool Participation*	.17	-.13
Percentage of indirect effect due to:		
Cognitive advantage	21	8
Family support	8	6
Cog. adv. and school support	11	7
Cog. adv. and social adjustment	9	—
School support	—	12
Cog. adv. and retention	—	7
B. Years of Total Participation*	.26	-.14
Percentage of indirect effect due to:		
Cognitive advantage	59	36
Family support	5	10
School support	7	14
Cog. adv. and school support	4	—
Cog. adv. and retention	—	6

*Regression coefficients representing the total influence of preschool participation and years of total participation on these two outcomes (values of .10 or higher are typically considered meaningful).

the results to the way in which the research model is specified and to the analytic methods.

In the Chicago Longitudinal Study, we analyzed the effects of preschool participation and duration of program participation on adolescent school achievement and grade retention under four sequential model specifications: (i) the unadjusted mean difference between participating and nonparticipating groups of children, and this base model adjusted in turn for (ii) the sex of the child and the environmental risk (e.g., the number of family risk factors, such as low parental education), (iii) parents' participation in school, and (iv) attributes of the school site.

Encouragingly, both preschool participation and years of total program participation were significantly associated with children's outcomes under all the models we specified. Preschool participation was associated with a 5- to 7-percentage-point advantage in reading achievement, and an 8- to 10-percentage-point reduction in the rate of grade retention. Each additional year of participation in the program was associated with a 2- to 3-percentage-point advantage in achievement and a 3- to 4-percentage-point reduction in grade retention.[20]

This consistent evidence of beneficial program effects reaffirms the view that quasiexperimental designs, if properly managed, can lead to conclusions consistent with or approximating those of classic random-assignment experiments. The keys to a properly managed quasiexperimental study seem to be that (i) the groups are reasonably well matched, (ii) they come from similar populations, (iii) the process by which people are selected for the program is well known, and (iv) findings are robust under alternative specifications of the model.

Other unanswered questions and issues

Other questions about early childhood interventions should also be addressed. One is the efficacy of new and emerging state and local programs—the fastest growing area of the early intervention field. Another issue is methodological: how best to design studies that include samples of sufficient size and variation in key attributes, program characteristics (for example, curriculum approaches or parents' involvement), and neighborhood conditions.

Some specific, program-related questions are: What is the optimal number of years of preschool for most children? Is one year of preschool at age 4 as effective as two years beginning at age 3? In federal and state programs, is full-day preschool better for children than half-day preschool? Likewise, what are the merits and demerits of half-day, extended-day, and full-day kindergarten programs, respectively? What are the crucial environmental supports that have to be in place to maintain or enhance the performance advantages with which participating children enter school? Does improved coordination between early childhood centers and public schools increase the effectiveness of such programs for children?

There are, also, many questions related to the largest intervention program of all, Head Start. For example: How does day-care quality and participation affect children's readiness for Head Start? Is the effect of participation in Head Start greater for children who were enrolled in Early Head Start? Are Early Head Start parents more likely to participate in Head Start or other programs?

Investments in research and evaluation that approximate those devoted to energy, transportation, and biomedicine would help significantly to advance our knowledge in these and other areas. The National Science and Technology Council, in 1997, pointed out that only 2.8 percent of all federal research and development expenditure goes to research on children.[21] Yet this amount was "aimed at understanding the growth and development of 30 percent of the nation's population—over 80 million children and adolescents under age 21" (p. 2). Matched with the growing interest in child development and social policy, greater resources for research and evaluation on early childhood intervention and other social programs may have substantial long-term payoffs.

Conclusions

The last four decades have seen significant advances in the knowledge and practice of early childhood interventions. We know more about the difficulties of implementing these programs well and about the magnitude and persistence of program effects. In the future, we should give high priority to answering questions about which

children and families benefit most—and least—from these and other interventions, about the environmental conditions and pathways that shape long-term effects, and about the program elements that are best suited for children with different attributes.

We have, however, more sophisticated and cost-effective ways to answer these questions than we had in the past, and more systematic procedures for probing links between participation in an intervention and its outcomes. Using such tools, we are able to address specific questions not considered in previous studies and so increase our knowledge of the effects of investments in early childhood development for a new age of programs and policies for children, families, and society. ■

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[1]J. Richmond, "Head Start, A Retrospective View: The Founders, Section 3: The Early Administrators," in *Project Head Start: A Legacy of the War on Poverty*, ed E. Zigler and J. Valentine (2nd ed.; Alexandria, VA: National Head Start Association, 1997), pp. 120–28, quotation, p. 122.

[2]National Science and Technology Council, *Investing in Our Future: A National Research Initiative for America's Children for the 21st Century*, Executive Office of the President, Office of Science and Technology Policy, Committee on Fundamental Science, and the Committee on Health, Safety, and Food, Washington, DC, April 1997.

[3]For general reviews, see W. Barnett and S. Boocock, eds., *Early Care and Education for Children in Poverty* (Albany, NY: State University of New York Press, 1998); *Long-Term Outcomes of Early Childhood Programs, The Future of Children* 5, no. 3 (1995); M. Guralnick, ed., *The Effectiveness of Early Intervention* (Baltimore, MD: Paul H. Brookes, 1997); L. Karoly, P. Greenwood, S. Everingham, J. Hoube, M. Kilburn, and others, *Investing in Our Children: What We Know and Don't Know about the Costs and Benefits of Early Childhood Interventions*, RAND, Santa Monica, CA, 1998.

[4]The number of controlled studies with long-term follow-up is relatively small. See, e.g., W. Barnett, "Long-Term Effects of Early Childhood Programs on Cognitive and School Outcomes," *The Future of Children* 5, no. 3 (1995): 25–50; U.S. General Accounting Office, *Head Start: Research Provides Little Information on Impact of Current Program*, Report GAO/HEHS-97-59,Washington, DC, 1997.

[5]C. Ramey and S. Ramey, "Early Intervention and Early Experience," *American Psychologist* 53 (1998): 109–20; H. Yoshikawa, "Long-Term Effects of Early Childhood Programs on Social Outcomes and Delinquency," *The Future of Children* 5, no. 3 (1995): 51–75.

[6]U. Bronfenbrenner and P. Morris, "Ecological Processes of Development," in *Handbook of Child Psychology: Theoretical Issues*, ed. W. Damon (New York: Wiley, 1998), 1: 993–1028; Ramey and Ramey, "Early Intervention and Early Experience."

[7]Cognitive advantage hypotheses were empirically demonstrated in the 1980s; more recent studies following children into adulthood and examining contemporary large-scale programs have reinforced the validity of these hypotheses. See, for example, Consortium for Longitudinal Studies, *As the Twig Is Bent . . . Lasting Effects of Preschool Programs* (Hillsdale, NJ: Erlbaum, 1983); L. Schweinhart, H. Barnes, and D. Weikart, *Significant Benefits: The High/Scope Perry Preschool Study Through Age 27* (Ypsilanti, MI: High/Scope Educational Research Foundation, 1993); A. Reynolds, N. Mavrogenes, N. Bezruczko, and M. Hagemann, "Cognitive and Family-Support Mediators of Preschool Effectiveness: A Confirmatory Analysis," *Child Development* 67 (1996): 1119–40.

[8]These questions emerged in the wake of the Westinghouse report on Head Start. See V. Cicirelli and others, *The Impact of Head Start*, Westinghouse Learning Corporation and Ohio University, Athens, OH, 1969.

[9]Of the 15 reviews of the effects of early childhood intervention published from 1983 to 1997, almost all discussed model programs rather than large-scale programs. For an overview, see A. Reynolds, E. Mann, W. Miedel, and P. Smokowski, "The State of Early Childhood Intervention: Effectiveness, Myths and Realities, New Directions," *Focus* 19, no. 1(1997): 3–11.

[10]National Science and Technology Council, *Investing in Our Future*.

[11]Compare, e.g., the approaches of D. Campbell and J. Stanley, *Experimental and Quasi-Experimental Designs for Research* (Boston: Houghton Mifflin, 1966) and L. Cronbach, *Designing Evaluations for Educational and Social Programs* (San Francisco: Jossey-Bass, 1982). On theory-driven approaches in general, see H. Chen, *Theory-Driven Evaluations* (Newbury Park, CA: Sage, 1990).

[12]A. Reynolds, "Confirmatory Program Evaluation: A Method for Strengthening Causal Inference," *American Journal of Evaluation*, 17(1998): 21–35.

[13]A. Reynolds, *Success in Early Intervention: The Chicago Child-Parent Centers* (Lincoln, NE: University of Nebraska Press, 2000).

[14]See N. Naisbitt, "Child-Parent Education Centers, ESEA Title I, Activity I," unpublished report, Chicago, IL, 1968.

[15]A. Reynolds, J. Temple, D. Robertson, and E. Mann, "Executive Summary," *Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Center Program*, University of Wisconsin–Madison, 2001; available on the Chicago Longitudinal Study Web site, < http://www.waisman.wisc.edu/cls/cbaexecsum4.html >.

[16]Schweinhart, Barnes, and Weikart, *Significant Benefits*; Reynolds, *Success in Early Intervention*.

[17]School achievement at age 14 was defined by the indicators of reading comprehension and math achievement scores of the Iowa Tests of Basic Skills (ITBS). Cognitive advantage was measured by performance on the school readiness battery of the ITBS at age 5.

[18]Barnett, "Long-Term Effects."

[19]Reynolds, *Success in Early Intervention*.

[20]Reynolds, *Success in Early Intervention*; A. Reynolds and J. Temple, "Quasi-Experimental Estimates of the Effects of a Preschool Intervention: Psychometric and Econometric Comparisons," *Evaluation Review* 19(1995): 347–73.

[21]National Science and Technology Council, *Investing in Our Future*.

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Strengthening families: An agenda for TANF reauthorization

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The debate over the role of Temporary Assistance for Needy Families (TANF) in strengthening families and promoting marriage may be among the liveliest of the reauthorization debates.[1] It coincides with the emergence of new evidence showing that "family formation" trends have taken a positive turn. In the 1990s, teen pregnancy rates fell, nonmarital birth rates stabilized, and the percentage of children living with two parents increased. This article reviews the current political debate, summarizes recent trends, and provides recommendations for improving the TANF block grant and related programs to strengthen families and increase the number of children in stable two-parent families, without disadvantaging or stigmatizing single-parent families.

The current debate

Arguing that states have done too little to advance TANF's family formation goals, some conservatives have called for placing marriage at the top of the TANF reauthorization agenda. Representative Wally Herger, the chairman of the House Ways and Means Committee's Human Resources Subcommittee, has said: "During the first phrase of welfare reform, we made sure we were putting people to work. I believe that now is the time to stress the importance of marriage."[2] Progressive voices, as well as organizations representing the interests of states, have been much more cautious. Although there is general agreement among these groups on the importance of marriage, there is greater skepticism about the extent to which government should be involved in the business of directly promoting marriage, a concern shared by some conservatives. Even among progressives, however, there is substantial agreement on a set of policy measures that would advance family formation goals, such as those aimed at reducing teenage pregnancy, ensuring that child support payments go directly to low-income children, and enhancing the employment prospects of young parents and potential parents.

Robert Rector and Patrick Fagan of the Heritage Foundation have made the most forceful arguments for placing marriage at the top of the reauthorization agenda. Rector proposes earmarking at least 10 percent of all federal TANF funds (about $1.6 billion per year) for specific "promarriage activities" such as school-based marriage education programs, public advertising campaigns, marriage mentoring programs, promarriage counseling during pregnancy, and "community-wide marriage policies."[3] In addition, Rector and Fagan have proposed setting up a new federal Office of Marriage Initiatives that would be funded in part by transferring some funds from child support and family planning programs. Wade Horn, when president of the National Fatherhood Initiative, proposed that Congress require states to indicate in their state plans how they would use TANF funds to encourage marriage and specify that "the intent of the 1996 law was to promote marriage, not cohabitation or visits by nonresident parents."[4] All three of these conservative commentators would also eliminate or reduce what they view as widespread marriage penalties in existing means-tested programs (see box, p. 119).

In contrast, others have argued for a strategy that focuses more on reducing teenage pregnancy, supporting "fragile families," whether married or unmarried, and increasing the career prospects of low-income fathers. Both Daniel Lichter and Belle Sawhill have argued that preventing out-of-wedlock and teen childbearing offers the most effective route to meeting TANF's family formation goals.[5] In a recent policy brief, Sara McLanahan, Irwin Garfinkel, and Ronald Mincy propose a comprehensive set of strategies, including services to strengthen fragile families.[6]

Recent trends

This debate comes at the same time as important "family formation" trends have taken a positive turn. For most of the last half of the twentieth century, nonmarital birth rates trended upward at a steady pace. This increase, combined with declines in marriage and marital stability, had a dramatic impact on family structure. Between 1960 and 1995, the percentage of children living with only one parent more than doubled, from about 12 percent to 27 percent. More recently, however, many of these trends have either stabilized or reversed direction.

- The teen birth rate—the number of births for every 1,000 young women aged 15–19—has fallen significantly since the early 1990s.[7] After peaking at 62 in 1991—the highest rate since the early 1970s—the rate declined each subsequent year. In 2000, the rate was 48.7, the lowest level ever reported for the United States. The black teen birth rate fell by 20 percent, from 110.8 in the first half of the 1990s to 88.4 in the second.

Are Marriage Penalties a Significant Problem?

Policy changes that would reduce "marriage penalties" in tax and social welfare programs figure prominently in some proposals to strengthen family formation. But there is little evidence to suggest that marriage penalties as conventionally understood have had a negative effect on marriage rates. For example, most recent research on the effects of the EITC on marriage and family formation finds no or only very limited evidence that EITC marriage penalties have had an effect on marriage rates.[1]

The tax system includes marriage bonuses for some families and marriage penalties for others, depending on the employment status and earning levels of the parents. The social welfare system, in contrast, does not present significant marriage penalties for couples with a biological child in common when the added costs of maintaining two separate households and other factors are considered.[2]

Safety net programs such as TANF cash assistance programs, the Food Stamp Program, housing, and Medicaid make no distinction between married and unmarried parents who live together with their children. The income of both parents is counted when determining eligibility for and level of benefits in these programs, regardless of the marital status of parents who live in the same household with their children. In states that impose stricter eligibility requirements on two-parent families, these rules are applied to both cohabiting and married-couple two-parent families. *Thus, there is no eligibility "penalty" if a cohabiting couple decides to marry.*

In fact, there are generally strong incentives for a couple with a child in common to live together, rather than apart. In a state that does not impose additional eligibility restrictions on two-parent families, neither parent is likely to be "better off" financially if the parents decide not to live together. Two separate households must now be maintained. The child and the custodial parent—who must pay for housing costs with just one income—may be more likely to qualify for means-tested benefits because of the loss of income that often occurs when a parent leaves the home. These benefits, however, generally will not leave the family with higher disposable income than when both parents were together. Finally, the noncustodial parent—in addition to paying his or her housing costs—must pay child support to the custodial parent. In short, neither parent generally has a financial incentive to separate.

Marriage penalties can exist in other situations—notably when a custodial parent marries someone other than the child's biological parent. In this case, the social welfare system may "deem" some income from the stepparent to the custodial parent and child when determining some types of benefits. Such deeming would not occur if the adults cohabited rather than married. (Food stamp benefits, however, are not affected by the decision to cohabit rather than marry, since these benefits are based on total household income.) Because marriage penalties do not present a serious problem in the case of parents with a child "in common," such arguments should not be used to justify providing enhanced benefits or preferential treatment to two-parent families or to reduce assistance to single-parent families.

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[1]See, e.g., D. Ellwood, "The Impact of the Earned Income Tax Credit and Social Policy Reforms on Work, Marriage, and Living Arrangements," *National Tax Journal* 53 (December 2000): 1063–1106.

[2]For a fuller discussion of these issues, see W. Primus and J. Beeson, "Safety Net Programs, Marriage and Cohabitation," paper presented at a conference, Just Living Together: Implications for Children, Families, and Social Policy, October 30–31, 2000, at Pennsylvania State University.

- The nonmarital birth rate—the number of births for every 1,000 unmarried women of childbearing age—also declined, albeit at a less dramatic pace than the teen birth rate. The nonmarital birth rate increased from 43.8 in 1990 to 46.9 in 1994, but then declined in each subsequent year, except 1998. By 1999, the rate had returned to its 1990 level.[8]
- Between 1995 and 2000, the number of children living with single mothers fell by slightly over one million, and the percentage of children living in single-mother families declined by 1.5 percentage points. The drop was larger among lower-income children: the percentage of lower-income children (roughly the poorest two-fifths of children) living with single mothers declined by 3.9 percentage points between 1995 and 2000, to 32.7 percent. Furthermore, the proportion of lower-income children living with married parents rose by 2.2 percentage points over the same period. Although these changes in children's living arrangements seem generally positive, it is not yet possible to conclude that they have had additional effects on child well-being or on the quality of family relationships.[9]

Policy may have played some role in these changes, but it seems unlikely that welfare policy changes were the driving factor. The downward trend in teen pregnancy and the flattening-out of nonmarital birth rates started before enactment of the 1996 welfare law. Although the decline

in the share of children living with married parents probably began to reverse in 1995 or 1996, thus more closely coinciding with the passage of the welfare law, there is little evidence that welfare changes were primarily responsible for this trend. For example, states that implemented so-called "family cap" policies, which deny incremental benefit increases to additional children born to TANF recipients, or that imposed stringent sanction and time-limit policies saw no larger increases in the share of young children living with married mothers between 1995 and 2001 than did states without these policies.[10] Given the timing of the changes and the limited evidence of a strong welfare link, it seems likely that a range of factors, including growing incomes, changing social and cultural norms, the strengthening of the child support enforcement system, the expansion of the Earned Income Tax Credit and other work supports, and other welfare reform efforts have all affected family formation decisions.

Marriage and social policy

Marriage clearly offers economic benefits for children. It is not surprising that children in married families—which have two potential earners—have much lower poverty rates than children living with single parents. Somewhat more notable, however, is that married families are less likely to be poor than cohabiting couples—which also have two potential earners—even after controlling for certain other factors likely to affect poverty status, including race, education, age of parents, and number and age of children. Moreover, there is some evidence that marriage may help buffer the impact of poverty. Poor married families appear to be less likely to miss meals or to fail to pay housing-related costs than other poor families, including poor cohabiting couples.[11]

The bulk of the evidence also suggests that growing up with both biological parents has positive effects on child well-being, independent of income. Although most children raised by single mothers do quite well, all else being equal the absence of a biological father appears to increase the risk of negative outcomes for children, including lower educational attainment, increased likelihood of teenage childbearing, and diminished early labor force attachment. Research does not show, however, that marriage *per se* has an independent effect on child well-being; children in stepparent families do no better on various measures of child well-being than children in single-parent families. And we know relatively little at this point about whether children who grow up with two unmarried biological parents fare differently from children who grow up with two married biological parents.[12]

Although marriage potentially offers both economic and developmental benefits for children, there are reasons to be cautious about the manner in which government policy attempts to affect marriage decisions, lest marriage promotion activities end up encouraging unstable or high-conflict unions. It may be especially difficult to ensure stable unions when the partners are young or for mothers who have already had a child prior to marriage—risk factors which are quite common among the disadvantaged population served by TANF. Several studies have shown that women who marry at younger ages, especially women who marry in their teens, have less stable marriages than women who marry at older ages.[13] A marriage that ends in divorce may leave an already disadvantaged woman worse off than if she had never married in the first place. A study using data from the 1995 National Survey of Family Growth finds that about one-third of women who married after having a first child out of wedlock were divorced at the time of the survey. Notably, the study finds that these women were worse off economically compared to similar unwed women who did not marry.[14]

Domestic violence is also a serious concern in many relationships. Several studies have found that 15–30 percent of welfare recipients have been recent victims of domestic abuse. And although domestic violence rates are higher among cohabiting couples than among married couples, it remains unclear whether this is because something about the institution of marriage itself has a dampening effect on domestic violence, or because of selection processes into and out of marriage and cohabitation.[15]

Even if we were able to address the quality of relationships, little is known about what kinds of policies and programs could produce increases in marriage rates. We do not know if the activities for which some have proposed earmarking TANF funds—school-based marriage-education programs, public advertising campaigns, marriage mentoring programs, promarriage counseling during pregnancy, and community-wide marriage policies—are actually effective in increasing marriage rates and marital stability. Only one of the strategies mentioned above, premarital education, appears to have been carefully studied, and its effectiveness remains far from clear.[16]

The strongest evidence that social programs can have a positive impact on marriage rates of disadvantaged individuals comes not from a program that overtly sought to influence marriage decisions, but rather from a large-scale welfare reform demonstration program, the Minnesota Family Investment Program (MFIP). MFIP provided generous financial incentives and grant increases for both single and two-parent families, regardless of their marital status, and also eliminated restrictive rules that limited participation by two-parent families. MFIP reduced poverty rates and increased marriage rates for both single-parent and two-parent families. Married two-parent families were more likely to remain married—67 percent of MFIP two-parent families were married and living together after three years compared to 48 percent of AFDC control group two-parent families. Single-parent families were somewhat more likely to marry—10.6 percent of single parents who received MFIP were mar-

ried and living with a spouse after three years compared to 7 percent of single parents in a control group. There is no consensus on why MFIP increased marriage rates, but reductions in financial strain for two-parent families in MFIP may have reduced sources of marital stress and instability, according to the researchers who studied the experiment.[17]

Supporting marriage and strengthening families: An agenda for TANF reauthorization

Essential elements of an agenda to improve child well-being and strengthen families include:

- a safety net that does not discriminate against two-parent families and ensures that more two-parent families who are eligible for benefits receive them,
- a strong child support enforcement system that increases the financial well-being of children,
- programs to help low-income fathers meet their financial and parenting responsibilities,
- initiatives that further decrease teen pregnancies, and
- a research agenda that would develop a knowledge base on which to build successful programs in these areas.

This agenda should not be pursued at the expense of single-parent families (for example, by cutting benefits for single-parent families or instituting program preferences for two-parent families) or in lieu of making further improvements in the current welfare system for single-parent families.

Providing supports to two-parent families

As the MFIP findings suggest, programs that provide income support and employment services may help low-income, two-parent families stay together by making them more economically secure. Unfortunately, few state welfare programs provide financial incentives for work that match those that were provided in the MFIP pilot program, although states have made notable advances in this regard; almost every state now provides more generous work incentives than were available under AFDC. But poor two-parent families receive food stamps and TANF cash assistance at less than half the rate of poor single-parent families. Although the disparities in TANF may be partially attributable to more rigid two-parent eligibility restrictions in some states, the problem clearly involves more than formal policy barriers. It seems likely that many poor two-parent families do not know that they may be eligible for benefits or are reluctant to participate. And states appear to have done little to increase the knowledge of potential program eligibility among two-parent families.

There are several areas in which policies can be improved to provide additional support for two-parent families:

- States should not be permitted to discriminate against two-parent families in establishing eligibility for benefits and services under TANF.
- The separate work participation rate for two-parent families should be eliminated. The current rate—under which 90 percent of two-parent families must be participating in work activities—may create a disincentive for states to serve such families.
- States should be required to forgive child support debt owed to the state if a low-income, separated couple marries or remarries and to hold child support debt owed to the state in abeyance when a separated couple with children reunites but does not marry.
- Low-income parents—in both single- and two-parent families—should have access to public health insurance. This could be done by expanding the size of state allotments in the State Children's Health Insurance Program (SCHIP) and giving states the flexibility to use the new funds to extend Medicaid and SCHIP coverage to the uninsured parents of children eligible for those programs.

Child support enforcement

A strong child support enforcement system can help improve child well-being and strengthen families. The article in this *Focus* by Cancian and Meyer discusses the interactions between welfare reforms of recent decades and child support reforms, examining the experimental evidence regarding policies for recovering welfare costs from payments by noncustodial parents. In light of this evidence, we make two primary recommendations:

- Families who leave TANF and are owed past-due child support should have first claim on all child support payments made by noncustodial parents. Congress made substantial progress on this front in the 1996 welfare law, but child support collected through the interception of federal tax refunds by the Internal Revenue Service is still retained by the federal government and the states to pay off any unreimbursed costs of providing assistance to the family. Eliminating this exception would provide about $750 million a year to children.
- Child support paid by noncustodial parents of children receiving TANF should go directly to the child rather than being retained by the state. States should be encouraged to disregard at least a portion of the payment in calculating the family's welfare grant. Where child support is disregarded, states should not have to remit any share of the support to the federal government. As early results from demonstration projects in Vermont and Wisconsin show, child support pass-though and disregard policies can have a positive effect on both the number of fathers who pay child support and the average amount of support paid by fathers.[18]

Assistance for low-income noncustodial fathers

Even with an improved child support system, many low-income fathers do not pay child support regularly.[19] Although some fathers are simply unwilling, many fathers want to be involved in their children's lives but face considerable barriers. Fathers of poor children are often poor themselves and have limited ability to pay significant amounts of child support. The most disadvantaged low-income fathers are similar in many respects to disadvantaged low-income single mothers: they often are young, lack high school diplomas and work skills, and have limited work experience.[20] Many also struggle to cope with substance abuse, legal problems, job discrimination, and lack of affordable transportation and housing. Although a growing number of states and cities are providing services to low-income fathers, these efforts remain quite limited. These problems are exacerbated by child support policies that often are not designed with low-income fathers in mind. Child support obligations, including birthing costs paid by Medicaid, fees, interest charges, and required additional payments toward past child support debt may exceed the amount they are realistically able to pay (even though the child support award may fall short of what it costs to raise a child).[21]

The federal government should provide states with incentives to extend employment and other necessary services to low-income fathers, while addressing other limitations in the way the child support system works with low-income fathers. States also should be encouraged to adopt and test new approaches to subsidizing the payment of support by low-income fathers.

- States should be given some credit toward meeting their TANF work participation rate for low-income fathers of TANF children who are engaged in TANF work activities or pay a sufficient amount of child support. This would provide an incentive for states to extend employment services to more low-income fathers and increase child support collections for low-income children. A state would not be eligible for the credit if the number of mothers receiving employment services declined or there was other evidence that resources were being diverted from low-income mothers.
- States should be given one-time federal grants to review their child support policies and develop programmatic recommendations to extend employment and parenting services to low-income fathers. As part of the review process, states should develop child support policies that prevent the build-up of unmanageable child support debt. States also should be encouraged to address child support and employment issues in a comprehensive and integrated fashion across a broad array of state programs—child support, employment, criminal justice programs—and to implement programs that match or otherwise subsidize the payment of child support by low-income parents, just as the Earned Income Tax Credit rewards low-wage work for families with children.[22]
- States should have the option to extend access to federally funded health care coverage to low-income nonresident parents on the same basis as coverage is available to low-income resident parents.

Reducing teen pregnancy

Though the teen birth rate fell in the United States in the 1990s, it is still higher than in any other industrialized democracy. Children born to teenage parents—whether they are married or unmarried—are at a greater risk of growing up without the benefits of living with two parents. Teenage pregnancy leads to a host of problems that are best prevented rather than addressed after they arise.

A growing body of rigorously conducted research points to specific programs that have been shown to reduce teen pregnancy and childbearing. For example, a random assignment multisite evaluation found that young teens enrolled in the Children's Aid Society–Carrera Teen Pregnancy Prevention Program were 46 percent less likely than teens in a control group to become pregnant or give birth.[23] This intensive program included both youth development and reproductive health components. Funding should be provided to states to replicate this and other effective programs and evaluate new initiatives. As described in more detail below, Congress should establish a research and development fund for this purpose.

Congress also should give states broader flexibility in how they use abstinence education funds, because the few studies of abstinence-only programs that have been completed to date do not show any reductions in sexual behavior or contraceptive use.[24]

Research agenda

There is substantial interest in developing programs that further reduce nonmarital births, foster and strengthen healthy two-parent families, and increase the proportion of children cared for by both parents. Some have argued that TANF funds should be earmarked for marriage promotion activities. Based on the evidence available, however, too little is known about policies and programs that will produce desirable results in this area to warrant such a federal mandate.

Further research in these areas is critical to developing a base of knowledge on which to build successful programs. States are unlikely to do substantial research in this area on their own without federal support and assistance. To support and systematize research in the states, a Family and Child Well-Being Research and Development Fund should be established, using monies previously allocated to the out-of-wedlock bonus, to encourage the replication of proven policies and to conduct research on programs designed to enhance the well-being

of families and children.[23] The Secretary of Health and Human Services, with recommendations from a panel of welfare administrators and experts from a range of disciplines, could use this fund to provide technical assistance or to competitively fund evaluations of demonstration projects that would be submitted by states or localities.

Finally, the ability of states to implement a policy agenda that supports marriage and strengthens families will depend in large measure on the availability of sufficient resources. Congress should provide states with the TANF block grant funding necessary to continue their existing commitments and to expand efforts in the other areas detailed here. ■

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[1]This paper benefitted from ongoing discussions with staff of the Center on Law and Social Policy (CLASP) and draws in part from an earlier working paper on family formation coauthored by Theodora Ooms of CLASP and Shawn Fremstad.

[2]M. Twohey, "Getting Hitched to Promoting Marriage," *National Journal*, March 24, 2001.

[3]According to Rector, "[t]hese funds should be allocated directly by the federal government, or, to a lesser extent, through the state governments." R. Rector, "Using Welfare Reform to Strengthen Marriage," *American Experiment Quarterly* 4, no. 2 (Summer 2001): 63–67.

[4]Wade Horn, "Wedding Bell Blues: Marriage and Welfare Reform," *Brookings Review* 19, no. 3 (Summer 2001): 39–42. Horn is now Assistant Secretary for Children and Families in the Department of Health and Human Services.

[5]D. Lichter, *Marriage as Public Policy*, Progressive Policy Institute, Washington, DC, September 10, 2001; I. Sawhill, *What Can Be Done to Reduce Teen Pregnancy and Out-of-Wedlock Births?*, Policy Brief no. 8, Brookings Institution, Washington, DC, October 2001.

[6]See the article in this *Focus* by Garfinkel and McLanahan, and also S. McLanahan, I. Garfinkel, and R. Mincy, *Fragile Families, Welfare Reform, and Marriage*, Policy Brief no. 10, Brookings Institution, Washington, DC, November 2001.

[7]*CTS Facts at a Glance*, Child Trends, Washington, DC, August 2001.

[8]National trends in nonmarital birth rates from 1988–89 through 1993 are affected by substantial underreporting of births in Michigan and Texas. According to the National Center for Health Statistics, nonmarital births would have peaked at an earlier point in the 1990s if these states had accurately reported them. S. Ventura and C. Bachrach, *Nonmarital Childbearing in the United States, 1940–99*, National Vital Statistics Report 48, no. 16, National Center for Health Statistics, October 18, 2000.

[9]W. Primus, *Child Living Arrangements by Race and Income: A Supplementary Analysis*, Center on Budget and Policy Priorities (CBPP), January 2002. There is at least one troubling trend in this area. Data from the National Survey of America's Families suggest that between 1997 and 1999, there was a small but statistically significant increase in the percentage of children living with neither of their biological parents. G. Acs and S. Nelson, *"Honey, I'm Home." Changes in Living Arrangements in the Late 1990s*, New Federalism: National Survey of America's Families no. B-38, Urban Institute, Washington, DC, June 2001.

[10]R. Bavier, *Recent Increases in the Share of Young Children with Married Mothers*, unpublished paper, Office of Management and Budget, Washington, DC, December 21, 2001. In fact, Bavier finds that the increase in the share of young children living with married mothers was actually larger in states that did not have especially rigorous sanction and time-limit policies than in the 17 states that did.

[11]R. Lerman, "Marriage as a Protective Force against Economic Hardship," October 2001, paper presented at 23rd Annual Research Conference of the Association for Public Policy Analysis and Management, Washington, DC, November 1–3, 2001.

[12]See S. McLanahan and J. Teitler, *The Consequences of Father Absence*, Office of Population Research, Princeton University, September 1997; S. McLanahan, "Parent Absence or Poverty: Which Matters More?" in *The Consequences of Growing Up Poor*, ed. G. Duncan and J. Brooks-Gunn (New York: Russell Sage Foundation, 1999); W. Manning, "The Implications of Cohabitation for Children's Well-Being," paper presented at the conference, Just Living Together: Implications for Children, Families, and Social Policy, October 30–31, 2000, at Pennsylvania State University.

[13]See, e.g., J. Larson and T. Holman, "Premarital Predictors of Marital Quality and Stability," *Family Relations* 43, no. 2 (1994): 228–38.

[14]D. Lichter, D. Graefe, and J. Brown, "Is Marriage a Panacea? Union Formation among Economically-Disadvantaged Unwed Mothers," paper presented at the annual meetings of the Population Association of America, April 2001. The authors do not speculate about the reasons. It may be that unwed mothers who marry work less during the marriage or are less likely to pursue additional education or training while married compared to unwed mothers who do not marry.

[15]R. Tolman and J. Raphael, "A Review of Research on Welfare and Domestic Violence," *Journal of Social Issues* 56 (2000): 655–81; C. Kenney and S. McLanahan, "Are Cohabiting Relationships More Violent than Marriages?" Working Paper 2001-2, Center for Research on Child Wellbeing, Princeton University, June 2001.

[16]One study finds no difference in marital outcomes between couples who have participated in premarital education and those who have not; K. Sullivan and T. Bradbury, "Are Premarital Prevention Programs Reaching Couples at Risk for Marital Dysfunction?" *Journal of Consulting and Clinical Psychology* 65(1997): 24–30. There is some evidence that the Prevention and Relationship Enhancement Program (PREP) reduced divorce rates over a five-year period in a few sites, but methodological concerns leave the findings open to interpretation. For a discussion of this and related research, see S. Stanley, "Making a Case for Premarital Education," *Family Relations* 50 (2001): 272–80.

[17]V. Knox, C. Miller, and L. Gennetian, *Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program*, Summary Report, Manpower Demonstration Research Corporation, New York, September 2000.

[18]Written testimony of Vicki Turetsky, Senior Staff Attorney, CLASP, before the Subcommittee on Social Security and Family Policy, Senate Finance Committee, October 11, 2001.

[19]Although we generally use the term "fathers" to refer to nonresident parents, the policies proposed here would apply equally to male and female nonresident parents.

[20]E. Sorensen and C. Zibman, *A Look at Poor Dads Who Don't Pay Child Support*, Assessing the New Federalism no. 00-07, Urban Institute, Washington, DC, September 2000.

[21]P. Roberts, *An Ounce of Prevention and a Pound of Cure: Developing State Policies on the Payment of Child Support Arrears by Low Income Parents*, CLASP, Washington, DC, May 2001.

[22]For a fuller discussion of this concept, see W. Primus and K. Daugirdas, *Improving Child Well-Being by Focusing on Low-Income Noncustodial Parents in Maryland*, CBPP, Washington, DC, September 2000.

[23]D. Kirby, *Emerging Answers: Research Findings on Programs to Reduce Teen Pregnancy*, National Campaign to Prevent Teen Pregnancy, Washington, DC, May 2001.

[24]For background on the federal abstinence education program, see J. Levin-Epstein, *Abstinence-unless-Married Education*, CLASP, March 1999, and *Reauthorization Issues: Abstinence Education*, CLASP, Washington, DC, November 2001.

[25]The out-of-wedlock bonus provided $100 million a year to be split among up to five states that had the greatest reductions in out-of-wedlock pregnancies while also reducing abortion rates.

Refreshing reform: Ideas from British welfare strategy

Robert Walker and Michael Wiseman

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The United States is now beginning another welfare debate, impelled by the need to reauthorize the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) before its expiration in 2002. Many of the issues so controversial in the 1996 debates over the act are still debatable ground today. We see five main problems on which the reauthorization debate is likely to run aground (others, to be sure, may have different views).

Funding. Both the aggregate level of funding and the allocation of the welfare block grants across states are products of the politics of 1996. Current levels of funding bear little relation to the distribution of poverty, state fiscal capacity, or state performance. Any attempt to reformulate the block grant allocations for Temporary Assistance for Needy Families (TANF) will force renewed discussion of the links between PRWORA's objectives and its allocations.

Rationalization. PRWORA substantially increased the latitude granted states in constructing their TANF programs. Proponents argue that this latitude permits states to tailor programs to local circumstances and to develop, through experimentation, a sense of "what works." Neither adaptation nor convergence is readily apparent. For example, states have adopted over 40 different procedures for dealing with benefits for recipients who work, and the rationale for this variety of tweaks is difficult to uncover.[1] Lack of cohesion in the states is fostered by the uncoordinated multiplication of federal programs.

Performance. PRWORA included rigorous requirements for the rate of involvement of recipients in work or worklike activities, but permitted these standards to be reduced by percentage declines in state benefit caseloads. This provision creates both an incentive for states to divert people from TANF benefits and an opportunity to avoid the substantial administrative efforts demanded by an activist transfer policy. The benchmarks in PRWORA need to be revamped, but developing more appropriate performance measures is both technically and politically difficult.

Learning. Before PRWORA, states that wished to deviate from national requirements in their welfare programs had first to secure a federal "waiver" of regulations and to agree to evaluate the outcomes of the programs. Waivers and evaluation are no longer required even for quite significant program innovations. The ability of federal agencies to monitor state activities and promote evaluation has been curtailed, and state evaluations, if they are even undertaken, are often seriously flawed.

Vision. PRWORA was motivated by the political appeal of "ending welfare as we know it." A political consensus was achieved about what should be discarded, but we are very far from agreement about the direction of change—social assistance as we might want it.

To prevent the discussion over reauthorization from becoming ritual exchanges of views too often reiterated, rhetoric too deeply entrenched in past debates, the refreshment of new perspectives is essential. The United Kingdom, we believe, is now one place to look for such perspectives. Fundamental, work-oriented reform of social assistance has been underway in Great Britain since at least 1987. The pace of change accelerated in 1997, when the Labour Party came to power with welfare reform as a cornerstone of its social policy.[2] To date, the flow of reform ideas and strategies has largely been from the United States to the United Kingdom. As Congress and the policy community revisit welfare policy over the next months, we believe it is an appropriate time to reverse that flow. There are lessons and ideas in British experience relevant to the future of welfare in the United States.

How the United States influenced Britain's New Deal

The welfare initiatives of the Labour government have extended well beyond the domain of families with children staked out by TANF. They include "New Deal" welfare-to-work policies aimed at young and long-term recipients of unemployment benefits, disabled people, and single parents; tax credits and other policies intended to raise take-home pay; bridging schemes to facilitate the transition to work; area-based antipoverty and economic regeneration initiatives; and revised child support policies and increased cash benefits to help defray the costs of raising children. For convenience, we refer to this entire portfolio of social policies as the "New Deal," although in formal Labour rhetoric this convenient label applies only to the welfare-to-work schemes.

The American influence may be seen in the rhetoric and ideology of the reforms, in the strategies adopted, and in some details of implementation.

Ideology

Three ideas exported from the U.S. debate surfaced early in British policy discussions, first under the Conservatives and then in more concerted fashion under the Labour government. The first was commitment to a proactive welfare policy. Social assistance in Britain has been recast to reduce emphasis on the essentially static requirements of income support and to increase attention to changing the situation of individuals receiving assistance. The second export was the idea of mutual obligation. Beneficiaries are expected to seek work, and society should assure the opportunity to find it. The third export was concern about a persistent "underclass"—above all the necessity for confronting problems of long-term and especially intergenerational dependency.

Strategy

The promotion of "welfare to work" in British welfare strategies reflects the growing U.S. emphasis on getting recipients into a job as the first stage in a process that is intended to change their life prospects. "Work first" does not preclude training. For example, participants in Labour's New Deal for Young People may use education programs to satisfy program requirements. Indeed each option in the program menu includes an element of accredited training, even subsidized employment. Like many U.S. welfare-to-work programs, New Deal practice is typically organized and overseen by a caseworker, called in Britain a "personal advisor."

The push of obligation and casework is complemented with the pull of financial incentive: the introduction of Britain's first national minimum wage and a national wage subsidy, the Working Families Tax Credit (WFTC), which is intended to increase work incentives by paying working families a supplement based on household size and composition.

Welfare-to-work and make-work-pay strategies operate nationwide. Britain has also developed programs targeted to specific subgroups; for example, 15 employment zones have been established in areas of high unemployment, and funds for training, job placement, and means-tested benefits are pooled in a "personal job account" that funds whatever activities may be necessary to get the unemployed person back to work.

Implementation

Representatives of both the Labour government and the Conservative opposition have regularly visited U.S. welfare offices over the past few years. These experiences have influenced the operations of New Deal programs in at least four ways: prompting or encouraging a willingness to experiment with new approaches in "pilot" schemes, creation of "one-stop" centers that provide benefit and employment services under a single roof, formation of public-private alliances with business groups to deliver social services and promote employment, and use of individual welfare-to-work contracts that set out the reciprocal obligations of agency and recipient.

These and many other connections explain why so much of the New Deal looks and feels like welfare reform as it is known in the United States. The Labour government in particular may have made better use of the American welfare "laboratories" than has the United States itself, picking and choosing from the substantial body of American evaluation data developed over the last 30 years and incorporating this information in the formulation of general policy.

What's in the New Deal for the United States?

Consider the last of our propositions about the state of U.S. welfare policy: the absence of an encompassing vision. If American policy makers accept the argument that American social assistance policy needs such a vision, what insights might they gain from study of the British New Deal?

First, we consider a few themes that might be adapted to the American context. We then move on to practical strategies that hold promise as models for the United States.

1. *Include security as a policy objective.* Prime Minister Tony Blair's characterization, "Work for those who can, security for those who cannot," usefully underscores the work orientation of social assistance while reaffirming the responsibility of government to preserve the social safety net. PRWORA arguably has reduced security both as immediately perceived by individuals and from the perspective of public finance. For those actually or potentially in need, the security of social assistance is linked to program reliability, adequacy, and access. All seem to have eroded with PRWORA as federal oversight has diminished, the purchasing power of benefits has fallen, and barriers to obtaining even entitlements such as food stamps have grown. Over and above the necessity for state governments with the will to provide, delivering reliability, adequacy, and access is a matter of reliable finance. Even though most states have TANF reserves, the provisions of the law for maintaining the safety net in the face of a substantial recession—the "rainy day" that seems now at hand—are inadequate.

2. *Link policies to social inclusion.* European social policy rhetoric in general stresses efforts to reduce social *exclusion*, the failure of some individuals to gain access to the benefits of economic transformation and to enjoy a sense of equal participation in the political and social

order. We believe that "inclusion" is more consonant with the attitudes of Americans, relating assistance to efforts to help people keep up in today's swiftly moving economy, with its increasing demands for flexibility, training, and technical sophistication on the part of workers.

3. *Get serious—and specific—about targeting child poverty.* Ending child poverty is not a goal of PRWORA; indeed, poverty itself is hardly mentioned in the legislation. The Labour government has made child poverty a measuring rod for the achievements of social assistance policy, with a very specific promise to end it in 20 years. But because the well-being of children is first and foremost an outcome of the opportunities available to and the choices made by parents, ending child poverty is linked to strategies for parents. Evidence from the United States also suggests that the recent decline in child poverty is largely due to the growing employment and earnings of mothers.[3]

If the decline in child poverty is to be accelerated, it may best be done in conjunction with strategies to raise the earnings of caretakers who do work or to reach out more strenuously to those who have not yet made it into the labor force. Here, Britain provides useful ideas. For example, one indicator selected for assessing progress toward the eventual elimination of child poverty is the number of children living in homes where no one works. Progress toward this goal was prominently announced in Labour's second annual poverty audit.[4]

4. *Link reform to modernization.* A system established 60 years ago to provide residual benefits for widows and surviving children should not be expected to meet the needs of families in a profoundly different social and economic milieu—where, for instance, most mothers work. The claim made by politicians of all persuasions to be "ending welfare as we know it" looks backward, not ahead. The Labour government, in contrast, has emphasized the need for bringing assistance strategy up to date, turning attention from the shortcomings of a system grown old to an affirmation of social change and renewal in a reinvigorated Britain.

British government policy offers insights into some strategies for achieving the goals laid out here.

1. *"Join-up" government.* New Labour has promoted service integration, establishing a Performance and Innovation Unit at the center and using the combined power of the Prime Minister's Office, the Cabinet Office, and the Treasury to drive such initiatives.

"Joining-up" in the federally structured United States is complicated by tradition and by distribution of responsibility for policies and programs across different levels of government, agencies, and legislative committees. For example, five federal agencies—Agriculture, Health and Human Services, Housing and Urban Development, Labor, and Treasury—are significantly involved in social welfare policy. In crafting PRWORA, Congress substantially reduced federal authority and expanded the authority of state governments to make welfare policy, but left much of the "stovepipe" separation of programs by agency intact. The consequence is a hodgepodge of programs with little integration and dispersed accountability.

A president committed to joining up could emphasize the difficulties presented by the existing structures for achieving the goals of social assistance, could establish a highly visible interagency task force to develop proposals for integrating programs, and could extend that message from cross-departmental efforts to a new partnership with the states, seeking to create ways to link federal and state policies. These initiatives at the federal level would provide a context for similar state and local initiatives.

2. *Integrate tax and benefit systems around assistance to and in work.* The architecture of Britain's WFTC pays much attention to the consequences of the new system for the combined effects of the various benefit programs for work incentives. The response of the American system to job-taking involves very complex interactions among the Food Stamp, TANF, and EITC programs, among others. For the most part, each component has been structured with little consideration of the consequences of these interactions for the transition from welfare to work or the ability of working poor people to access benefits. Attention to British practice and the consequences for household behavior could be productive in planning TANF and Food Stamp reforms.

3. *Enhance accountability.* The reform of government programs is generally intended to change process (the way things are done) so as to affect outcomes (what happens to people in the program). Without careful assessment of both process and outcomes, the reasons for failure or success may be difficult to identify. The Labour government has promoted and practiced both types of accountability. For example, the performance of local agencies responsible for two major programs, the New Deal for Young People and for the Adult Unemployed, is measured monthly against nine indicators of both process and output and is posted publicly on the department's Web site.[5]

In the United States, assessment of the consequences of work-oriented welfare reform has been hampered by lack of information about the effects of state programs on the experience of applicants and recipients. One objective for a new federal-state partnership might be to develop tools for assessing process. British experience can contribute ideas about what to measure and how to turn willingness to undertake such assessment to political advantage.

4. *Identify models.* Several of the British New Deals were piloted in such a way that the contractors had to devise their own implementation practices within a broad framework of policy objectives and financial incentives. The intention was specifically to identify best practice. Since 1999 British local authorities have competed for "beacon status," and 42 of them now work in partnership with the Improvement and Development Agency to disseminate information and best practice in policy ranging from education through housing to sustainable development. Federal development of best-practice models could be a useful tactic for promoting the harmonization of state policies, especially if funding were provided to assure full information on procedures and case flows in our own "beacon" sites.

5. *Promote evidence-based policy making.* The Labour government has promoted evidence-based decision making, pilot programs, and research planning as a collaborative effort with other stakeholders and has established a Centre for Management and Policy in the Cabinet Office to promote evidence-based policy and "knowledge pools." Some of these pools, no doubt, are shallow. Nevertheless, there is a strong case to be made for more active central government leadership in the development and pursuit of a welfare reform research agenda. To date, the federal government has not consistently done so.

6. *Reach out to include needy adults without children.* British reform strategy began by focusing on a New Deal for Young People aged 18–25, with work-related obligations. New Deals, involving varying degrees of compulsion, are now being extended to all people of working age without paid work, including those such as the disabled who are receiving social insurance benefits.

In the United States, assistance to childless adults is a state responsibility and, where it is available, is focused mainly on keeping people off the streets. With the exception of the New Hope project in Milwaukee, work-oriented income support experiments in the United States have not addressed the needs of the general population of low-income childless adults.[6] The Workforce Investment Act of 1998 has gone some way to underwriting services and training for particular groups of low-income youth and older adults without children. These services are delivered through "one-stop" centers, raising the possibility of more ambitious strategies for helping single and childless adults to help themselves.

The Labour government's Young People and 25 Plus New Deals in particular could provide models for experimenting with more ambitious help-to-work and support-in-work schemes for poor people without children.

Implementation

Unless the United States adopts strategies more like Britain's, not much can be learned from the details of implementation. Yet even without the convergence of strategy, there are some immediate lessons in the ways in which Britain has refined and adapted American concepts. We cite three examples here:

1. The newly created Department for Work and Pensions, formed in 2001 from parts of the Department of Social Security, the former Department for Education and Employment, and the Employment Service, may be usefully studied as another way of integrating employment and social welfare services.

2. Identifying best practice is useful only to the extent that such practices are widely promoted and applied. Britain appears to have made more progress in developing strategies for rolling out such practices than have federal and state government agencies in the United States. Both the national performance indicators used in Britain and those applied to local area agencies deserve careful evaluation and comparison to U.S. procedures.

3. In some British agencies, caseworkers have access to a special intervention fund that can be used to address exceptional problems of clients; study of the use of such funds could be helpful in structuring the responsibilities and resources of caseworkers in the United States.

The opportunities for mutual benefit

Despite rapid and radical change over the recent prosperous years, few on either side of the Atlantic could claim that the job of restructuring social assistance is complete. Traditional welfare reform is only one element in a broader program of social assistance that, in turn, is potentially a key component of strategies to foster economic and social advance. In such restructuring, the United States has a good deal of catching up to do. There are nevertheless opportunities for mutual benefit that span ideology, strategy, and implementation. Below we note just a few, all of which seem to offer opportunities for collaborative study.

1. *Determining the efficacy of community-linked strategies.* In both countries, the contraction of poverty has been uneven, socially and geographically, and substantial continued progress may require an increasing focus on communities and groups left behind. Such targeting, it is argued, is more effective than making individual circumstance—low income, joblessness—the basis for relief.[7] But it is not clear that such targeting is efficient, and policies formulated in this way may increase the social distance between the beneficiaries of social assistance and the rest of the electorate. Both countries would benefit from better information about the consequences of place- and group-based strategies for improving the well-being of individuals and families. If such strategies are found to be effective, such information might be used to build a political consensus for targeting social assistance upon those left behind.

2. *Developing job retention and career advancement support.* Policymakers in both countries express concern about moving beyond merely placing people in jobs. What types of support in work are most productive in sustaining employment and raising wages?

3. *Assessing the trade-off between local discretion and equity.* The importance of local discretion in welfare-to-work programs is a significant aspect of American assistance ideology and an increasingly prominent feature of New Labour policy rhetoric. But both countries need to clarify how incentives for effective exercise of local control might be designed and how potential benefits from the exercise of greater local administrative latitude may be realized while sustaining equitable treatment of those seeking and receiving aid.

4. *Developing better information management systems.* Computer-based case management systems now in use are almost universally judged inadequate for support of active, goal-oriented assistance. However, it is difficult on both sides of the Atlantic to obtain systems that support effective program management without diminishing flexibility and inhibiting change. Given the importance attached to obtaining timely and mission-appropriate management information in both New Deal and TANF systems, this is an opportunity for joining up.

5. *Promoting effective case management.* Case management is central to activist policy on both sides. The character of such management may vary greatly, and both sides need to learn more about the consequences of such variation, about techniques for managing the managers, and about communicating the lessons of experience to those new to the job.

6. *Coping with scale.* In passive benefit systems, neither geographic concentration nor the absolute scale of operations poses much of an administrative problem. If mail can reach families, so can checks, and administrative costs per capita may actually decline as the number of beneficiaries rises. Neither is true for more active interventions. It is generally easier to operate small programs than large ones, and it is particularly difficult to involve dispersed rural recipients in employment-development efforts. Both countries need to find more effective ways to move from small-scale demonstrations to widespread implementation and to extend access to employment assistance to rural or dispersed populations.

This list could surely go on. However, it is difficult to gain benefit from exchange about practical matters until the United States reaches consensus on the direction of reform. Should American policymakers choose to borrow from Britain's innovations in rhetoric and strategy, attention to the practical opportunities for collaboration will grow. ■

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[1]L. Giannarelli and M. Wiseman, "The Working Poor and the Benefit Doors," unpublished paper.

[2]F. Bennett and R. Walker, *Working with Work* (York: York Publishing Services for the Joseph Rowntree Foundation, 1998).

[3]K. Porter and A. Dupree, *Poverty Trends for Families Headed by Working Single Mothers: 1993 to 1999*, Center on Budget and Policy Priorities, Washington, DC, 2001.

[4]Social Security Media Centre, London, "Darling [Social Security Minister Alistair Darling] Announces Milestone in Eradicating Child Poverty." Press release 2000/262.

[5]See the statistics posted at < http://www.dfee.gov.uk/ndimprove >, under the new Department for Work and Pensions (with a World Wide Web site at http://www.dwp.gov.uk/).

[6]J. Bos, A. Huston, R. Granger, G. Duncan, T. Brock, and V. McLoyd, *New Hope for People with Low Incomes: Two-Year Results of a Program to Reduce Poverty and Reform Welfare*, Manpower Demonstration Research Corporation, New York, 2000.

[7]In the United States, neighborhood strategies are a common feature of nongovernmental assistance efforts. See D. Nelson, "Connections Count: An Alternative Framework for Understanding and Strengthening America's Vulnerable Families," in Annie E. Casey Foundation, *Kids Count 2000*, Baltimore, MD, pp. 7–20.

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Immigrants and welfare reauthorization

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This is one of the provisions that went too far.

–Former Congressman Newt Gingrich, referring to the welfare law's restriction on legal immigrants' eligibility for food stamps, *New York Times*, January 9, 2002

Until passage of the 1996 welfare law, legal immigrants were generally eligible for public benefits on the same basis as citizens. The welfare law conditioned eligibility on citizenship status rather than legal status, extending to most legal immigrants the eligibility restrictions that had traditionally applied only to undocumented immigrants. These unprecedented restrictions effectively redrew the boundaries of social membership in the United States.

The immigrant restrictions have proven to be among the most controversial aspects of the welfare law. In 1997, Congress restored Supplemental Security Income (SSI) to most immigrants who were already in the United States when the welfare law was enacted, and in 1998, it restored food stamp eligibility for immigrant children and for elderly and disabled persons who were here before August 1996. Legislation that would further restore benefits has been introduced on a bipartisan basis in each subsequent session of Congress, although it has typically been limited to a specific program (food stamps), a specific population (domestic violence victims), or some combination of these two (Medicaid for pregnant women and children). More recently, President Bush's 2003 budget includes a proposal to restore food stamps to legal immigrants who have lived in the United States for five years.

Welfare reauthorization provides an opportunity to reconsider the restrictions and other immigrant provisions in the welfare law in a more comprehensive manner than has been undertaken to date. In addition, a somewhat neglected topic merits inclusion on the reauthorization agenda: the effect, on legal immigrant families who remain eligible for benefits, of the shift from Aid to Families with Dependent Children (AFDC) to Temporary Assistance for Needy Families (TANF).

Reconsideration of the welfare law's immigrant provisions is especially timely given the growing demographic importance of the immigrant population in the United States. The welfare law changes came at the same time as the immigrant population reached near-record levels while becoming more dispersed throughout the country. A significant number of low-income children in the United States—more than one in five—now live in noncitizen families.[1] Children of immigrants face greater hardship levels than native-born children who do not have immigrant parents. Although immigrant unemployment rates fell at a greater rate than native unemployment rates during the 1990s, overall levels of hardship for immigrants remain high. Nationwide, 37 percent of all children of immigrants live in families that have worried about or encountered difficulties affording food, compared with 27 percent of natives. Children of immigrants are more than twice as likely to live in families that pay over 50 percent of their income in rent or mortgage costs, and are four times as likely to live in crowded housing.[2] Thus continued progress in improving the well-being of low-income children in the United States will depend in no small measure on reducing poverty and improving other outcomes for children in immigrant families.

Immigrant eligibility for benefits

The eligibility of legal immigrants for public benefits now varies among federal programs and depends on a variety of factors, including date of entry to the United States, type of immigration status, work history, age, and state of residence. Legal immigrants who entered before August 22, 1996, are generally eligible for benefits, except for food stamps. (The Food Stamp Program retains the most restrictive immigrant eligibility criteria of any of the major federal means-tested programs, although provisions that may be adopted as part of the new Farm Bill would bring it more in line with other programs.)[3]

For those legal immigrants who entered on or after August 22, 1996, eligibility depends largely on immigration status upon admission to the United States. The largest immigrant group, immigrants admitted for family reunification purposes as lawful permanent residents, is generally ineligible for benefits (as are a few additional categories of legal immigrants, such as parolees and certain immigrant victims of domestic violence). Immigrants admitted for humanitarian purposes (refugees, people granted asylum, and a few other related categories) remain eligible, but for a limited time only.[4] While eligible for benefits, humanitarian immigrants represent only about 11 percent of the noncitizen population.

- Lawful permanent residents (LPRs) who entered the United States on or after August 22, 1996, are ineligible for food stamps and SSI until they become U.S. citizens or can be credited with 40 quarters of work. They are also barred from federal TANF and Medic-

aid until they have lived in the United States for five years after entering the country or, at state option, until they become U.S. citizens or can be credited with 40 quarters of work.[3] The restriction on immigrant eligibility in the TANF program applies not only to cash assistance but also to any means-tested benefit or service (with a few limited exceptions) provided with TANF funds, including job training and work supports.

- LPRs who entered before August 22, 1996, remain eligible for SSI (except for nondisabled elderly immigrants who were not receiving SSI on August 22, 1996) and, at state option, for TANF and Medicaid.
- Adult LPRs who entered before August 22, 1996, are ineligible for food stamps unless they are disabled, were aged 65 or older on August 22, 1996, or can be credited with 40 quarters of work.
- Refugees and asylees remain eligible during their first five (TANF) or seven years (food stamps, Medicaid, SSI) in the United States. After this initial period of eligibility, states have the option to either continue eligibility or to limit TANF and Medicaid eligibility to those immigrants who have obtained citizenship or can be credited with 40 quarters of work.

Before passage of the welfare law, immigrants with sponsors were subject to "sponsor deeming" in AFDC, the Food Stamp Program, and SSI during their first three years in the United States. Under this requirement, the income and resources of an immigrant's sponsor were counted or "deemed" in determining the immigrant's eligibility for and amount of benefits. The 1996 welfare law continued and extended this requirement for sponsored immigrants entering the United States after December 1997. For these sponsored immigrants, deeming is now required until they obtain citizenship or have worked for 40 quarters. Moreover, for the first time, the new rules extend deeming to Medicaid. The law also provides that if a sponsored immigrant receives benefits in spite of the eligibility restrictions and sponsor deeming requirements, the agency that provided the benefits may sue the sponsor for reimbursement of the benefits.

The law gave states new authority to determine the eligibility of immigrants for both federal and state benefits. As noted above, states may opt not to provide federally funded TANF and Medicaid benefits to most legal immigrants regardless of when they entered the United States. The law includes language authorizing state-imposed restrictions on immigrants' eligibility for state-funded benefit programs.

At the same time, the law limits state authority in other areas. States and local governments may not provide public benefits, including nonemergency health care benefits, to immigrants who are not lawfully residing in the United States, unless they enact a state law after August 22, 1996, which "affirmatively provides for such eligibility." Nor may state and local governments restrict their employees from reporting any immigrants to the INS. This provision means that immigrant families cannot be sure that information they provide when applying for benefits for eligible family members, including citizen children, will be kept confidential.

Responses to the immigrant restrictions: State governments and the judicial branch

States were faced with two immediate questions following passage of the welfare law. First, would they opt to continue providing federally funded TANF and Medicaid benefits for those legal immigrants who remained eligible? Second, would they create state-funded programs for those immigrants who were no longer eligible for federal benefits?

Most states decided to continue federally funded benefits where they had the option to do so. With respect to legal immigrants who entered the United States before the law's enactment, all states chose to continue TANF benefits and all states except Wyoming continue to provide Medicaid benefits. According to the National Immigration Law Center, for those legal immigrants who enter the United States on or after August 22, 1996 and have resided here for at least five years, five states (Idaho, Indiana, Mississippi, South Carolina, and Texas) have not yet chosen to provide federally funded TANF benefits and seven states (Idaho, Indiana, Mississippi, North Dakota, Texas, Virginia, and Wyoming) do not currently provide Medicaid benefits. In at least some of the states, most notably Texas, the question of whether to extend federally funded benefits to legal immigrants entering the United States on or after August 22, 1996, remains under consideration.

Several states created state-funded benefit programs for legal immigrants. Seventeen states provide state-funded food stamps to some or all legal immigrants ineligible for federal benefits. However, in some of these states, eligibility is limited to very narrow categories of legal immigrants. Twenty-three states provide state-funded cash assistance to some or all legal immigrant families with children who are ineligible for federal benefits. Taken as a whole, however, the state-funded programs extend eligibility to only a limited portion of those immigrants who lost eligibility nationally as a result of the restrictions. Only nine states extend eligibility for food stamps to all immigrants who lost federal food stamp eligibility. Only 21 states extend TANF eligibility to almost all immigrants who lost federal TANF eligibility. Only eight states provide a complete or nearly complete restoration of both cash assistance and food stamps to legal immigrants, and just about one-third of noncitizens in the United States live in one of these states.

The provision of state-funded benefits does not appear to have acted as a "magnet" drawing immigrants from states that choose not to provide benefits to states that do provide them. In fact, during the 1990s, the states with the largest growth in immigrant populations were less likely to provide state-funded immigrant benefits than most states with lower immigrant growth rates.[6]

The restrictions on providing federally funded benefits to legal immigrants were challenged in several lawsuits, primarily on the grounds that the restrictions violated the equal protection guarantee of the U.S. Constitution. In each of these cases, the courts ruled that the restrictions were allowable under Congress's broad power to regulate immigration. Last year, the U.S. Supreme Court denied a request to review one of the cases that upheld the federal restrictions. As a practical matter, these decisions leave any changes in the federal benefit restrictions up to Congress and the president.

Questions remain about the extent to which Congress can delegate authority to the states to discriminate against legal immigrants in setting eligibility criteria for state or federally funded benefit programs. Courts have generally held that state laws that discriminate on the basis of alienage are due much less deference than federal laws. In June 2001, New York's highest court ruled that the state cannot deny state-funded Medicaid to otherwise eligible legal immigrants. The court based its decision on both the U.S. Constitution and the New York State constitution, which includes a provision that requires the state to provide aid to persons it has classified as needy. Although language in the welfare law explicitly authorizes state discrimination against legal immigrants, the New York court ruled that Congress does not have the power to authorize such discrimination.

Trends in welfare participation by immigrant households

During the last half of the 1990s, the percentage of immigrant-headed households receiving public benefits declined substantially. In 1994, 7.1 percent of immigrant-headed households received AFDC and 12.6 percent received food stamps; in 1999, 3.2 percent received AFDC and 6.7 percent received food stamps.[7] Participation declines among immigrants were steeper in states that provided a "less generous" state-funded safety net for those immigrants who lost federal assistance than in states that provided a "more generous" state-funded safety net. For example, food stamp participation (including participation in state-funded food stamp programs) by noncitizens in the "less generous" states fell by 55 percent, compared to a 32 percent drop in the "more generous" states.[8]

Michael Fix and Jeffrey Passel of the Urban Institute have conducted the most sophisticated recent analysis of participation trends among low-income, noncitizen-headed families with children. Using a methodology that allows them to distinguish between legal permanent resident household heads and refugee household heads, they find steep declines in TANF and food stamp utilization, especially among families headed by refugees, who mostly remain eligible for benefits.[9] Between 1994 and 1999, TANF participation by low-income families headed by legal permanent residents fell by 53 percent—roughly the same rate as for citizen families; food stamp utilization fell by 38 percent, a somewhat greater rate than for citizen families. Over those same years, TANF participation by low-income, refugee-headed families fell by 79 percent, and food stamp utilization by 53 percent.

Although refugees historically had much higher participation rates than comparable citizen families, Fix and Passel find that their usage rates are now no different from the citizen rate. This is a striking finding, given that refugees come to the United States to flee persecution and are generally more disadvantaged than other immigrant groups. Special efforts are made upon their entry to the United States to connect them with welfare and social services, so that high levels of welfare usage would be expected.

Because most households headed by noncitizens include citizen members, particularly citizen children, household participation rates do not fully capture the effect of the eligibility restrictions on individuals. An estimated 940,000 immigrants receiving food stamps in 1997 lost eligibility for the Food Stamp Program. The limited food stamp changes enacted by Congress in 1998 restored eligibility to about 250,000 of these immigrants, although significantly fewer actually returned to the food stamp rolls. According to administrative data from the U.S. Department of Agriculture, the number of noncitizens receiving federally funded food stamps fell by 60 percent between 1994 and 1999, from nearly 1.9 million to less than 750,000.[10] Food stamp participation overall also declined during that time, but at only modestly more than half the rate (35 percent) of the drop in noncitizen participation. Even though U.S. citizen children living with noncitizens remained eligible for benefits, their participation in the Food Stamp Program declined 42 percent, from nearly 1.9 million to less than 1.1 million.

Although the eligibility restrictions explain part of the decline in public assistance participation rates, especially in the Food Stamp Program, other factors clearly contributed to the decline. Between 1994 and 1997, cash welfare receipt (use of AFDC/TANF, SSI, and General Assistance) among noncitizen households fell by 35 percent compared to a 14 percent drop for citizen households, even though most legal immigrants remained eligible for cash welfare benefits during this period.[11] In California, where state funds were used to continue pre-welfare-law eligibility rules, immigrant participation fell at a faster

rate than in the rest of the country between 1994 and 1999.[12]

At least part of the decline is likely due to confusion about eligibility and the "chilling effects" that welfare reform and immigration reform had on immigrant participation. These "chilling effects" included the anti-immigrant rhetoric surrounding the passage of Proposition 187 in California and the welfare and immigration reform legislation passed by Congress in 1996, and heightened concern among immigrants that public benefit usage would have a negative impact on their ability to adjust status or naturalize. Several studies have documented the widespread nature of these concerns among immigrants.[13]

In addition to the benefit restrictions and the other "chilling effects" of welfare reform, improvements in the labor market that were stronger for immigrants than for natives also may explain part of the decline. The gap between immigrant and native unemployment rates fell from 2.7 percentage points in 1994 to 1 percentage point in 1999. One study finds that the change in labor market conditions may explain a significant part of the relatively greater decline in immigrants' participation in means-tested benefit programs in the late 1990s.[14]

Increases in hardship and health insurance declines

There is now strong evidence that the eligibility restrictions have had an adverse impact on many legal immigrants and citizen children. For example, food insecurity rose significantly among immigrant-headed households in the states that did the least to ameliorate the federal restrictions, while declining among immigrant-headed households in states that provided more generous state-funded safety nets for immigrants.[15]

Insurance coverage for low-income immigrant families also has deteriorated since the passage of the welfare law. National data show that the number of noncitizen children and noncitizen parents receiving Medicaid fell by 7 to 8 percentage points between 1995 and 2000.[16] Moreover, the percentage of low-income, noncitizen children and parents who lack health insurance, including job-based insurance, increased by 6 to 7 percentage points, even as uninsurance rates for native children fell.

These early findings of increases in immigrant hardship levels came during a strong economy when a limited number of immigrants (except in the Food Stamp Program) were subject to the new benefit restrictions. By 2002, the Urban Institute estimates that immigrants admitted after August 1996 will make up approximately one-third of the lawful-permanent-resident population. This fact, combined with the adverse effect that the recent economic downturn is likely to have on immigrant employment levels, suggests that hardship levels for immigrant families could increase considerably in coming years.

The effect of "work first" welfare reform on immigrants who remain eligible for benefits

About 11.7 percent of adult TANF recipients were noncitizens in 1999.[17] Many immigrants who receive TANF have significant barriers to employment, including low education and skill levels, and limited proficiency in English. For some immigrants, religious beliefs or cultural norms may discourage female employment outside the home or the use of persons other than relatives for child care.

- Among foreign-born adult TANF recipients, 69 percent do not have a high school diploma or GED, as opposed to 37 percent of native-born adult recipients who do not have either credential.[18]
- A survey of Mexican and Vietnamese noncitizens receiving TANF benefits in late 1998 in Santa Clara County, California, the fifth largest county in California, found low levels of education and English proficiency. The immigrant women surveyed tended to be less educated, older, and less proficient in English than the average welfare recipient in California. Ninety percent of the Mexican participants and 68 percent of the Vietnamese participants had less than a high school education, compared to 53 percent of all women receiving TANF in the county. Forty-eight percent of the Mexican participants and 87 percent of the Vietnamese participants had "poor to no" proficiency in English.[19]
- The Economic Roundtable examined employment outcomes for AFDC participants in Los Angeles Country who left welfare between 1990 and 1997 and were reported to have found work.[20] The study found that recent immigrants had higher unemployment rates in 1997 than citizens (33.5 percent of immigrants were unemployed compared to 28.1 percent of citizens). Two years after leaving AFDC, persons with limited proficiency in English had worked about the same number of quarters as other adults, but had significantly lower earnings.

There is a small body of research examining the experiences with TANF of immigrants and of persons who have limited English proficiency. It suggests that immigrants may be having some difficulty navigating the TANF system. For example, in Minnesota, Washington, and Wisconsin, immigrants and those with limited English proficiency appear to have been leaving TANF at slower rates than other recipients.[21]

Although there is some evidence that programs that emphasize labor force attachment can increase the employ-

Table 1
Los Angeles County Jobs-First Effects on Employment and Earnings among Single Parents, by Level of English Proficiency

	Jobs-First	Control Group	Impact
Ever Employed in Years 1 and 2			
English-Proficient	69.3%	60.3%	9.0
Limited-English-Proficient	59.1	46.7	12.4
Average Total Earnings in Years 1 and 2			
English-Proficient	$8,479	$6,936	$1,543
Limited-English-Proficient	6,169	4,264	1,905

Source: S. Freedman, J. Knab, L. Gennetian, and D. Navarro, *The Los Angeles Jobs-First GAIN Evaluation: Final Report on a Work First Program in a Major Urban Center*, Manpower Demonstration Research Corporation, New York, June 2000.

ment and earnings of immigrants and those with limited English, immigrants' employment and earnings levels remain low relative to other participants. For example, a random-assignment evaluation of Los Angeles County's Jobs-First program (a precursor to the county's current TANF program) found the program had positive employment and earnings effects on both English-proficient and non-English-proficient participants compared to control group members who did not participate in the program.[22] After two years, however, participants who were not proficient in English had lower employment and earnings, on average, than English-proficient participants, even though overall effects were larger for the group that was not proficient (see Table 1). A "mixed strategy" combining an emphasis on employment with opportunities for developing skills (and, for those whose English is poor, activities designed to enhance their acquisition of the language) may prove more successful at narrowing the gap between persons who are not proficient in English and those who are than does an approach that is limited to labor force attachment.

Options for welfare reauthorization

In summary, the 1996 restrictions have clearly had a negative impact on low-income immigrant families and the many citizen children living in those families. In the labor market, immigrants gained ground in the 1990s, but food insecurity increased among those most likely to be affected by the changes, and health insurance coverage declined during the last half of the 1990s. States now bear a greater portion of the costs associated with providing a safety net to immigrants. The immigrants hit hardest by the law, those who entered after it was signed, are an increasing portion of the entire immigrant population.

The welfare law as a whole was designed to move families from welfare to work while continuing to provide a safety net and work supports. In a stark departure from this overarching purpose, the law conditions the provision of benefits to legal immigrants on citizenship status rather than work. For the most part, the immigrant restrictions also run counter to the law's emphasis on devolution, in that states are not able to use federal funds to provide Medicaid and TANF benefits to recent legal immigrants.

Immigrant families with children have lower income levels than native-born families with children, and this disparity is not explained by lack of work effort or family structure. Most low-income children of immigrants live in working, married, two-parent families. Their parents have low-wage jobs with limited benefits. Work supports and other economic mobility policies could improve immigrants' position in the U.S. labor market and foster greater social integration, just as they have among the nonimmigrant low-income population. The immigrant eligibility restrictions are especially ill-conceived in that they limit the ability of states to extend work supports and economic mobility policies to low-income immigrants.

Welfare reauthorization offers an opportunity to rethink the restrictions and bring them more in line with the law's overall emphasis on work-based reform.

Restore equal access to public benefits

Legal immigrants should have the same access to public benefits as U.S. citizens (subject to reasonable sponsor deeming requirements, as discussed below). As taxpayers, immigrants help to pay for the costs of education, roads, national defense, and benefits and services to low-income families. They should not be excluded from programs that could help them attain skills needed to advance in the labor market and that provide them a safety net when temporary hardship interrupts their employment. If TANF and Medicaid benefits are not fully restored, at a minimum the reauthorizing legislation should lift restrictions imposed by the 1996 law on the flexibility of states to provide federally funded TANF and Medicaid benefits to recently arrived immigrants.

Effective work supports and welfare-to-work programs could help speed the economic mobility and integration of legal immigrants. Given that TANF already includes mandatory work requirements and a five-year limit on assistance, both of which apply regardless of immigration status, additional eligibility restrictions that apply specifically to immigrants serve no useful purpose.

Retain sponsor deeming in cash assistance programs and food stamps, subject to reasonable limits

Sponsors clearly should have some responsibility for helping the immigrants they sponsor to settle in the

United States, locate housing, obtain employment, and meet basic subsistence needs during their first few years here. However, deciding the appropriate length and scope of a sponsor's responsibility presents more difficult questions. Should a sponsor's responsibility last indefinitely? Does it extend beyond ensuring that basic subsistence needs are met to providing goods that cannot be easily obtained in the private market, such as health insurance? Should it apply even when an unforeseen circumstance, such as a disabling condition or temporary job loss, limits the earnings ability of a sponsor or a sponsored immigrant? Do sponsors have an obligation to support unsponsored members of an immigrant's family, such as U.S. citizen children born after a sponsored immigrant was admitted to the United States?

By extending sponsor deeming requirements until citizenship and holding sponsors liable for any benefits provided, including health care benefits, the current law effectively shifts the full burden of immigrant support indefinitely onto sponsors. There is a role for sponsor deeming in cash and food assistance programs, but it should be subject to reasonable limits on the length of the deeming period and the scope of the sponsor's obligation.

The best option would be a return to the deeming rules that formerly applied to the AFDC and Food Stamp programs, including the three-year limit that these rules placed on sponsor deeming. Income should only be deemed after an amount to meet the sponsor's own basic needs is excluded. Efforts also should be made to ensure that the deeming rules can adjust when the circumstances of the sponsor change substantially. Deeming should only apply to TANF cash assistance benefits, rather than to the full scope of services, such as child care and employment services, funded with TANF resources. In addition, although reasonable sponsor deeming rules make sense in cash and food assistance programs, they are inappropriate in health care programs. The private market for health care in the United States is such that few sponsors can reasonably be expected to purchase coverage for sponsored immigrants.

Improve employment outcomes for immigrants and limited-English-proficient individuals

The low employment and earnings levels of immigrant TANF recipients are largely due to immigrants' low skills and levels of English proficiency. The following changes would improve employment outcomes for immigrants and limited-English persons:

- English-as-a-second-language (ESL) instruction and other language acquisition activities should be included as a separate work activity that is countable toward the first 20 hours of a TANF recipient's work requirement.[23] Because traditional classroom ESL approaches may not be well suited to meet the demands of welfare reform, states should be encouraged to develop vocational ESL programs, support work-based English-language instruction, and integrate language acquisition activities with job skills training.
- Congress should provide grants to states and localities for research, planning, technical assistance, and demonstration projects to promote and fund best practices in the following areas: improving employment and earnings outcomes for low-income, limited-English-proficient persons, increasing their English proficiency, and enhancing the linguistic and cultural competence of staff in TANF and child care services generally.

Congress has revisited the immigrant restrictions in the welfare law annually and in piecemeal fashion since 1996. Welfare reauthorization provides an opportunity to reconsider the restrictions in a more comprehensive and integrated manner. Congress should restore equal access to benefits, while leaving reasonable deeming rules in place. For those immigrants who are eligible for benefits, a greater emphasis should be placed on improving earnings and employment outcomes. This will require the redesign of existing programs to ensure that they help immigrants overcome barriers to advancement, including limited English proficiency, low skills, and limited acculturation. ■

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[1]Some 22 percent of low-income children (that is, in families with incomes under 150 percent of poverty) lived in families headed by a noncitizen in 2000. CBPP calculations, based on 2001 CPS.

[2]R. Capps, *Hardship among Children of Immigrants: Findings from the 1999 National Survey of America's Families*, New Federalism: National Survey of America's Families, No. B-29, Urban Institute, Washington, DC, February 2001.

[3]At the time this article was written, the version of the Farm Bill passed by the Senate Agriculture Committee included provisions that would allow legal immigrants who can claim 16 quarters of work history to qualify for benefits, restore eligibility to all legal immigrant children, lift the seven-year limit on eligibility for refugees and asylees, and restore eligibility to disabled legal immigrants who entered the United States after August 22, 1996.

[4]In addition, immigrants who are U.S. veterans and active-duty service members and their spouses and children remain eligible for benefits.

[5]States may use TANF maintenance-of-effort (MOE) funds to provide benefits and services to legal immigrants.

[6]M. Fix, "Comment on George Borjas, Welfare Reform and Immigration," in *The New World of Welfare*, ed. R. Blank and R. Haskins (Washington, DC: Brookings Institution, 2001).

[7]M. Lofstrom and F. Bean, "Labor Market Conditions and Post-Reform Declines in Welfare Receipt among Immigrants," paper presented at APPAM Conference, November 2001. As used here, the term "immigrant" includes all persons who are foreign-born, including naturalized citizens.

[8]G. Borjas, "Food Insecurity and Public Assistance," working paper, Harvard University, May 2001 (presented at USDA, Economic Research Service Conference, October 11, 2001). Borjas uses an index developed by the Urban Institute to classify states as more or less generous.

[9]M. Fix and J. Passel, "Scope and Impact of Welfare Reform's Immigrant Provisions," paper presented at APPAM Conference, November 2001.

[10]United States Department of Agriculture, *The Decline in Food Stamp Participation: A Report to Congress*, Washington, DC, July 2001.

[11]M. Fix and J. Passel, *Trends in Noncitizens' and Citizens' Use of Public Benefits Following Welfare Reform: 1994–97*, Urban Institute, Washington, DC, March 1999.

[12]G. Borjas, "Welfare Reform and Immigration," in *The New World of Welfare*, ed. Blank and Haskins.

[13]See, e.g., P. Feld and B. Power, *Immigrants' Access to Health Care after Welfare Reform: Findings from Focus Groups in Four Cities*, Kaiser Commission on Medicaid and the Uninsured, November 2000.

[14]Lofstrom and Bean, "Labor Market Conditions."

[15]Borjas, "Food Insecurity and Public Assistance."

[16]L. Ku, "Immigrants' Access to Health Insurance and Health Care in a Post-Welfare Reform Era," paper presented at APPAM Conference, November 2001.

[17]U.S. Department of Health and Human Services, *Third Annual Report to Congress: TANF*, Washington, DC, 2000.

[18]W. Zimmerman and K. Tumlin, "What Does 'Work-First' Mean for Immigrants? A Look at Immigrants on Welfare in Three Cities," paper presented at APPAM Conference, November 2001.

[19]D. Ng, *From War on Poverty to War on Welfare: The Impact of Welfare Reform on the Lives of Immigrant Women*, Equal Rights Advocates, April 1999, available on the organization's World Wide Web site at < http://www.equalrights.org/welfare/iwwp/index.htm >. Similarly, a study of Hmong TANF participants in Wisconsin found many barriers to employment among this extremely disadvantaged refugee group. Some 90 percent of Hmong respondents read little or no English and over 70 percent had little or no literacy in Hmong. T. Moore and V. Selkowe, *The Impact of Welfare Reform on Wisconsin's Hmong Aid Recipients*, Institute for Wisconsin's Future, December 1999, available on the Institute's web site at < http://www.wisconsinsfuture.org/reports/6Hmongstudy.pdf >.

[20]M. Drayse, D. Flaming, and P. Force, *The Cage of Poverty*, The Economic Roundtable, Los Angeles, CA, September 2000.

[21]See S. Fremstad, *Immigrants and TANF: What Do We Know?* Center on Budget and Policy Priorities, Washington, DC, January 2002.

[22]S. Freedman, J. Knab, L. Gennetian, and D. Navarro, *The Los Angeles Jobs-First GAIN Evaluation: Final Report on a Work First Program in a Major Urban Center*, Manpower Demonstration Research Corporation, New York, June 2000. Jobs-First emphasized rapid employment and increased the amount of money participants could earn while remaining eligible for assistance (relative to previous AFDC rules in California). Most participants were assigned to job search as an initial activity. According to the evaluators, the program provided Spanish-language employment services and Spanish-speaking case managers. Speakers of other languages often received case management in their native languages and sometimes received full employment services in their native languages.

[23]Although most states allow some limited-English-proficient persons to participate in ESL courses, anecdotal and other reports suggest that access is limited in many states. This may be in part because the TANF law does not explicitly list ESL as a work activity that counts toward state work participation rates. There are limitations on the extent to which the federal activities that most clearly encompass ESL (job skills training and education related directly to employment, job readiness assistance, and vocational education) can count toward these participation rates.

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Funding issues in TANF reauthorization

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Many important issues will be debated as Congress moves ahead with the reauthorization of the Temporary Assistance for Needy Families (TANF) block grant, including whether changes should be made to work participation requirements, time limits, and family formation policies. But whatever the outcome of those debates, without adequate resources states will be unable to provide the services and supports to low-income families necessary to achieve welfare reform's goals.[1]

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 established the TANF block grant as the federal mechanism for funding welfare programs previously funded through uncapped federal matching funds to the states. The reauthorization debate this year will not revisit the basic block grant structure, but there are three critical areas in which improvements are needed in the overall funding level and structure:

- The block grant needs to be increased and adjusted to keep pace with inflation.
- Increased funding should be devoted to reducing the large disparities that now exist among state block grant allocations relative to the size of needy populations in the states.
- A workable, federal, countercyclical funding mechanism needs to be established so that the federal government shares in the costs associated with an economic downturn.

The next section of this paper discusses how states have used their TANF funds over the past five years. The last section explains why certain changes are needed and presents reauthorization proposals to address the key funding issues.[2]

How have the states used TANF funds?

Since 1997, states have received $16.5 billion annually through the TANF block grant. To qualify for these federal TANF funds, states are required to spend roughly $10.5 billion annually in state funds to meet their "maintenance of effort" (MOE) requirement.

The TANF block grant allows states to allocate resources to an array of services and assistance that promotes four broad purposes: assisting needy families so children may be cared for at home, ending dependence of needy families on government benefits by promoting work and marriage, reducing out-of-wedlock pregnancies, and encouraging two-parent family formation and maintenance. As the number of families with children receiving basic cash assistance fell, states increasingly devoted TANF block grant funds to supports for low-income working families, such as child care; to more intensive employment efforts to help families that have not yet made the transition to work; and to efforts to meet the law's family formation goals, for example, through programs to reduce teen pregnancy.[3] It took time for states to adjust to the expanded purposes of TANF, the reduction in cash assistance caseloads, and the funding flexibility inherent in the TANF block grant structure, and thus many states did not spend all of their TANF funds in the first couple of years of TANF implementation.

This is no longer the case. Most states spend nearly all of their annual block grant and many states now spend even more than their annual allocation. Indeed, some 16 states in fiscal year (FY) 2000, and likely a larger number in FY 2001, have drawn upon unspent TANF funds accumulated earlier. In 2001, for the first time, total expenditures in the TANF program *exceeded* the annual block grant level (see Figure 1).[4]

Expenditures on child care, the single largest category of work-support spending, more than doubled in just two years—from $2 billion in FY 1998 to $5.1 billion in FY 2000, when they constituted 19 percent of all TANF and MOE expenditures. States now are providing more in the

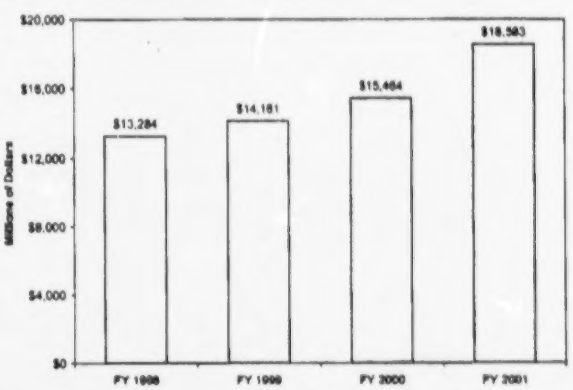

Figure 1. TANF outlays, FY 1998–FY 2001. The TANF block grant is $16.5 billion annually.

Source: Final Monthly Treasury Statement of Receipts and Outlays of the United States Government, Table 5, for September of FY 1998, 1999, 2000, 2001.

way of job preparation, wage subsidies, transportation subsidies, and refundable tax credits for working families. Together these work support activities constituted 11 percent of TANF and MOE spending in FY 2000.

Although examining collective state spending is a useful way to understand trends in the TANF program, it masks the tremendous variation in state policies and their associated spending patterns. For example, even though nationally cash assistance constituted 43 percent of TANF and MOE spending in FY 2000, eight states spent less than 25 percent of their block grant on cash aid while four states spent more than 60 percent. Similarly, nine states devoted less than 10 percent of their expenditures (including transferred funds) to child care, while in eight states child care programs garnered more than 30 percent of TANF funds used.

Reauthorization proposals

After five years of experience with the TANF block grant structure, reauthorization offers an opportunity to identify improvements in the funding mechanisms that are needed to ensure that states can maintain important services while building on their experiences to develop new initiatives to achieve the purposes of TANF. TANF reauthorization should strengthen the long-term funding of TANF, make further progress in reducing the disparity in TANF block grant allocations among states relative to their needy populations, and ensure that the federal government shares in the increased costs associated with economic downturns. These funding improvements should be accompanied by better financial accountability measures, to ensure that TANF funds are used by states to further welfare reform goals.

Base block grant funding

Unlike most other federal programs, the TANF block grant was not structured to automatically keep pace with inflation, and since 1997 it has fallen in real value by 13.5 percent. Reauthorization should include automatic annual increases so that the block grant keeps pace with inflation. If the federal government increases its base TANF funding level, states should be required to increase state spending by an equal percentage, to maintain the balance between state and federal responsibility for funding programs for low-income families.

Why should the block grant be adjusted for inflation? The drop in the inflation-adjusted value of the TANF block grant during the past five years did not cause significant problems for most states because they were able to use the substantial funds freed up by falling cash assistance caseloads to expand programs that help recipients find jobs, provide supports to low-income working families, and strive to meet the welfare law's family formation goals. The situation has now changed markedly. In response to the current recession, welfare caseloads in many states now are rising, not falling—between March and September 2001, 33 states reported increased cash assistance caseloads. Even if the economy recovers, it is unlikely that cash assistance caseloads will fall *below* their lowest levels for a considerable period of time. Thus, states can no longer count on additional funds being freed up as a result of further declines in cash assistance costs, and many will need to devote more TANF resources to cash aid. Moreover, most states no longer have substantial reserve funds to draw upon to augment their annual block grant allocation in future years.

If TANF reauthorization legislation does not adjust future TANF funding for inflation, by 2007 the inflation-adjusted value of the block grant will be 14 percent lower than in FY 2001 and nearly 22 percent below its value in 1997. Because the cost of providing child care, employment and training services, and transportation assistance rises over time as wages increase, so large a reduction in purchasing power will make it difficult for states to maintain their current welfare reform efforts. They will, for example, be able to afford fewer child care slots or slots in employment and training programs.

Additional resources to address unmet needs of low-income families. Adjusting the block grant for inflation would substantially strengthen long-term TANF funding, but it does not provide the funding necessary to develop new initiatives or to expand and improve supports for low-income working families—including child care subsidies, earnings supplements, transportation assistance, and help in acquiring work-related skills. There is substantial evidence that more such poverty-reducing efforts are needed.

Between 1995 and 2000, the number of children in poverty fell by 22 percent, a much smaller reduction than the 50 percent decline in cash assistance caseloads.[5] Part of the explanation for this difference is that families who leave welfare often remain poor. Although about 60 percent of former cash assistance recipients are working in any particular quarter following their exit from welfare, and a larger share reported working *at some point* since leaving TANF, the wages reported by these former recipients are low, averaging between $6 and $8.50 per hour.[6]

In addition, U.S. census data show that the poorest 700,000 single mothers living only with their children in 1999 had *less income*—when earnings, the Earned Income Tax Credit, and benefits such as cash assistance and food stamps are taken into account—than similar women in 1995, even though their *earnings* increased. This trend suggests that the lowest-income single-mother families became poorer, even while the combination of a strong economy, state welfare reform efforts, and strengthened work supports (such as the Earned Income Tax Credit) increased the total number of single mothers who were working and led to reductions in child pov-

erty.[7] Recent evaluations of welfare-to-work programs that predated TANF show that, with regard to outcomes for children, total income matters. Programs in which earnings increased, but incomes did not increase because benefit losses offset earnings gains, did not show clear, positive effects on child outcomes such as school achievement and behavior. In contrast, programs that increased *incomes* as well as earnings showed positive effects on such child outcomes.[8]

The programs needed to address lingering poverty, to continue moving welfare recipients into the workforce, and to help low-income working families secure jobs that pay above-poverty wages are likely to be more costly than programs already in place. Many parents still receiving cash assistance have substantial barriers to employment—such as physical or mental health impairments, substance abuse problems, limited English proficiency, or very low basic skill levels—and have difficulty finding and retaining employment (see the article in this *Focus* by Danziger and Seefeldt). Intensive, and expensive, services may be needed to help such parents secure stable jobs.

Finally, some state and federal policymakers are interested in doing more to meet the family formation goals of TANF, such as employment and parenting services that help nonresident parents increase the child support they pay and their involvement with their children. In the context of reauthorization, federal policymakers need to consider whether additional resources should be provided to states to encourage experimentation or investments in promising programs, for example, to reduce nonmarital childbearing or to serve fragile two-parent families that are not currently being reached.[9]

Reducing funding disparities among states

Although all states need increased TANF funds to account for the effects of inflation, those states that receive very low block grant allocations relative to their needy populations need more substantial funding increases. The TANF block grant is allocated among states on the basis of historical spending in the AFDC program, in which the bulk of state spending was on cash assistance benefits. Many poor states chose to have very low cash assistance benefit levels that to an extent reflected their cheaper cost of living but were largely driven by state policy decisions. As a consequence, these states received far less in federal AFDC resources relative to their number of needy families than states that set higher benefit levels.

One way to measure a state's block grant allocation relative to its needy population is by dividing the state's block grant by the number of poor children in the state. In FY 2001, eight states received less than $600 in block grant funding per poor child, whereas 12 states received more than $1,600 on that basis (see Table 1). The national average block grant allocation per poor child was roughly $1,200. These figures include additional TANF funds provided in "supplemental grants" that went to 17 states and increased over time. These grants were designed, in large part, to ameliorate the very substantial disparities among states, but they were authorized only through FY 2001 and will not be provided to states for the current fiscal year (2002) unless Congress approves legislation to extend them.[10]

The costs of the employment and other support services that states are providing under TANF vary far less than do the TANF block grant allocations per poor child, making it much more difficult for states that currently receive very low grants to fund the range of services needed for low-income families to enter and remain in the workforce. Reauthorization legislation should establish "equity grants" that would be awarded to states with low per-poor-child block grant allocations. These grants should be in addition to the supplemental grants for prior years, which should be incorporated into the base TANF grant at their FY 2001 level of $319 million. While differing in the way the funds are distributed, these equity grants would continue the policy established in the 1996 welfare law of gradually reducing funding disparities among states each year. Between FY 1998 and FY 2001 the supplemental grants increased by $80 million each year, reducing disparities further over time.

There are many ways to structure equity grants. For example, they could be awarded to states with per-poor-child block grant allocations below a certain threshold. Each qualifying state would receive a grant based on the number of poor children in the state.[11] Because a few states have large TANF reserves, and therefore do not currently need additional funding to expand their welfare

Table 1
TANF Grants per Poor Child

Selected States (Shaded states receive Supplemental Grants)	Basic TANF Grant per Poor Child	Basic TANF Grant plus Supplemental Grant per Poor Child
Lowest 5		
Alabama	$356	$398
Arkansas	369	410
Texas	372	413
Idaho	381	425
Mississippi	496	547
Highest 5		
Rhode Island	$2,106	$2,106
District of Columbia	2,217	2,217
Vermont	2,279	2,279
Connecticut	2,478	2,478
Alaska	2,462	2,750
Total U.S. Average*	$1,181	$1,198
Supplemental State Average*	607	655
Nonsupplemental State Average*	1,497	1,497

*Averages weighted by the population of poor children.

reform efforts, equity grants could be limited to states with TANF reserves below a certain level, such as 50 percent of a state's annual block grant allocation. If equity grants were structured in this manner and funded at $80 million in FY 2003, each qualifying state would receive an estimated $22 extra per poor child.[12] Alternatively, all states with per-poor-child allocations below the national average could be given additional resources, with the states with the lowest per-poor-child allocations receiving proportionately larger grants.

Countercyclical funding

Reauthorization legislation should create a workable, countercyclical funding mechanism so that both the state and federal governments share in the increased costs associated with recessions. The 1996 welfare law recognized the importance of providing additional resources to states to meet recession-related costs and included a $2 billion "contingency fund" intended to provide states with additional funds if they met certain criteria related to economic hardship.

The design of this now-expired contingency fund, however, was deeply flawed. States meeting the law's basic MOE requirement would have had to increase state spending substantially to qualify for contingency funds. A state also had to demonstrate economic distress, either with high and increasing unemployment or food stamp participation increases, but the specific criteria adopted quickly became outdated (see the article in this *Focus* by Chernick and Reschovsky).

Some have argued that a contingency fund mechanism is not needed and that states should bear all of the fiscal risks associated with an economic downturn. The lack of a workable contingency fund, however, is problematic. During a recession, the number of poor families needing basic cash assistance increases, and if no contingency funding is available, states that see an increased demand for basic assistance will face three undesirable choices—meeting those increased costs with additional state resources (very difficult to do when state revenues are declining), cutting cash benefits or reducing services for working families, or limiting access to benefits for the increasing numbers of families in which parents cannot find jobs. In addition, if all of the fiscal risk is placed on states, some states may choose to accumulate very large reserve balances in normal times to protect themselves in case of recession. Although the federal government should encourage prudent savings for economic downturns, states will not have the resources needed to meet important welfare reform goals if they save too large a share of federal funds.

To help states strike a balance between spending and saving federal TANF funds for a rainy day, states in which an increased number of families need assistance because of an economic downturn should receive additional federal resources to help meet those costs, without having to increase their overall state TANF expenditures through an explicit matching requirement or an increase in the MOE requirement. Contingency funding should be available only to states that are providing basic assistance to *additional* families, and states should be required to use their TANF reserves before accessing contingency funding. In addition, the economic triggers that allow states to qualify for contingency funds should be redesigned to ensure that states facing economic difficulties qualify for these funds.

Accountability and use of funds

The 1996 welfare law provided states broad programmatic and spending flexibility. Currently states are required to submit limited information to the federal Department of Health and Human Services (HHS) about how TANF and MOE funds are spent.[13] Financial and programmatic reporting requirements should be strengthened in reauthorization to enhance state accountability to taxpayers as well as HHS's ability to oversee the use of program funds.

Even though most TANF spending over the past few years has been used to maintain or expand a broad array of programs for low-income families, several states have used federal TANF funds to replace or "supplant" funds the state had previously spent on programs that met the broad TANF purposes, such as low-income tax programs or child welfare services. States could then use the freed-up state funds for other purposes, often unrelated to welfare reform goals. The 1996 welfare law prohibited states from using MOE funds to replace state funds committed to non-AFDC programs that nevertheless meet the broad TANF criteria, but this restriction was not applied to the use of federal TANF funds. Reauthorization provides an opportunity to fix this inconsistency in the treatment of state and federal spending.[14]

How much do these proposals cost?

In general, when Congress or the administration estimates the cost of a legislative proposal, the cost is measured relative to a ten-year "baseline" of projected costs that often extends beyond a program's authorization period. It may seem counterintuitive, but projected spending increases only count as increases if they are above the level assumed in the baseline. The assumptions embedded in the baseline of any program are determined by a set of budgeting conventions and sometimes by specific statutory instructions.

The baselines for most federal programs include an automatic annual inflation adjustment. When the 1996 TANF law was enacted, however, there were large federal defi-

cits and TANF funding levels were set so as not to exacerbate those deficits. As a result, the TANF baseline does *not* include an automatic inflation adjustment like other programs. Likewise, the baseline does not include a continuation of the funding distributed as supplemental grants (this started at $80 million in FY 1998 and increased by $80 million each year through FY 2001), or any of the $2 billion contingency fund. Since the cost of reauthorization proposals will be measured against this stripped-down baseline, treating TANF like other federal programs by adjusting the block grant for inflation would be considered to cost $6.6 billion over five years. Maintaining the supplemental grants at their FY 2001 level and extending the policy of providing an additional $80 million annually to reduce funding disparities would be considered to cost $3 billion over five years. Reinstating the contingency fund would be considered to cost $2 billion.

Thus, together these proposals would be considered to cost roughly $12 billion over five years. Although it may be difficult for members of Congress to allocate these funds to TANF at a time when we are again facing deficits, failure to make these critical funding changes would likely lead to program cuts.

Conclusion

In order for states to maintain current welfare reform efforts, build on their successes, and meet new challenges, they need sufficient TANF resources that do not erode in value over time. If reauthorization legislation addresses the three key areas discussed in this paper—increasing and adjusting the base block grant to keep pace with inflation, reducing disparities among states in TANF allocations relative to needy populations, and sharing the financial risks associated with cost increases during recessions—states would be better able to continue their efforts to meet the critical goals of reducing poverty, moving low-income families into the workforce, supporting working families that continue to have modest earnings, and strengthening families. ■

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[1]The analysis and recommendations presented in this paper were developed collaboratively with the Center for Law and Social Policy.

[2]This paper does not address all the TANF recommendations that would require funding, nor the appropriate funding level for programs closely related to TANF, but instead focuses on TANF's funding structure.

[3]For examples of changes in state spending, see the article in this *Focus* by the WELPAN members.

[4]For a more detailed discussion, see Zoë Neuberger, *TANF Expenditures Increased in the Last Fiscal Year*, Center on Budget and Policy Priorities, Washington, DC, November 1, 2001, on the CBPP Web site at < http://www.cbpp.org/11-1-01wel.pdf >.

[5]The figure cited here on the reduction of the number of children in poverty considers a child poor if his or her family's income *excluding* means-tested benefits such as TANF cash assistance or food stamps falls below the poverty level.

[6]E. Richer, S. Savner, and M. Greenberg, *Frequently Asked Questions about Working Welfare Leavers*, Center for Law and Social Policy, November 2001, on the CLASP Web site at < http://www.clasp.org/pubs/TANF/leaversFAQ.pdf >.

[7]R. Haskins and W. Primus, "Welfare Reform and Poverty," Welfare Reform and Beyond Policy Brief no. 4, Brookings Institution, Washington, DC, July 2001.

[8]P. Morris, A. Huston, G. Duncan, D. Crosby, and J. Bos, *How Welfare and Work Policies Affect Children: A Synthesis of Research*, Manpower Demonstration Research Corporation, New York, March 2001, on the MDRC Web site at < http://www.mdrc.org/Reports2001/NGChildSynth/NG-ChildSynth.pdf >.

[9]See articles in this *Focus* by Cancian and Meyer, by Garfinkel and McLanahan, and by Fremstad and Primus.

[10]The Senate passed a bill extending the supplemental grants for FY 2002. The House has not acted on the Senate-passed bill, but a provision to extend these grants was included in the House-passed economic stimulus bill which was approved in December 2001 but did not pass in the Senate.

[11]Considering grant levels on a per-poor-child basis is a proxy for assessing the grant level relative to the state's population of needy families. A broader measure, such as children living in a family with income below 200 percent of the federal poverty level, could be used instead.

[12]This estimate assumes that states in which per-poor-child FY 2001 TANF allocations (including supplemental grants) below 75 percent of the national average—and unspent funds at the end of FY 2000 were below 75 percent of their TANF allocation—would qualify. This "reserve" requirement was used for this estimate because it is likely that many states that had reserves in FY 2000 just above the 50 percent level have drawn upon some of those reserves, so that their current reserve balances are now below the 50 percent threshold.

[13]On state reporting requirements under TANF, see the article in this *Focus* by Swartz.

[14]For example, states could be prevented from using TANF funds to substitute for state funds by prohibiting state increases in TANF spending on preexisting programs unless the state maintained the prior level of state funding for the program. This restriction should *not* apply when a state wishes to use federal TANF funds to replace state spending that could be counted toward the MOE requirement. In these cases, the MOE requirement itself ensures that appropriate state effort is maintained.

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